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Maclean's

DECEMBER 15, 1986

CANADA'S WEEKLY NEWSMAGAZINE

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CANADA'S WEEKLY NEWS MAGAZINE

Maclean's

DECEMBER 13, 1988 VOL. 19 NO. 50

COVER

Warfare in toyland

Electronic toy guns are a hot item this Christmas, and many parents say that they are worried about the effects of popular war toys on their children. But toy makers spend millions of dollars promoting their products. And violence is a profit maker in an industry that, with the spread of toy supermarkets, is turning into a year-round business. —Page 38

COVER ART BY CAROL ANN JONES



A new test for Turner

Liberals celebrated John Turner's affirmation as their leader last week—but there were some tough new questions about his party's policies and finances. —Page 10



The air war heats up

Pacific Western Airlines won its battle to take over Canadian Pacific Air Lines, but critics are wondering if consumers will have to pay more for their air travel. —Page 32



A president under siege

President Ronald Reagan abruptly changed his strategy to salvage his plummeting credibility and distance himself from the Iranian arms scandal. —Page 20



The girl-next-door grows up: bass player Sandy Harris, of the Toronto-based rock group the Spoons, says that her band and her fans are moving in an adult direction. —Page 28

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The CF-18 dispute

I write to vent my frustration with respect to the wording of the CF-18 maintenance contract to Canada's Montreal (this week's issue of *Argus*, Canada, Nov. 17). Where the Ministry of Defence was elected, I speculated to all who would listen how at last things would change in our country, how at last there would be responsibility, how at last someone's hand would control the purse strings of the nation. How wrong I was. It is unacceptable that Canada would be awarded the contract when Bristol Aerospace Ltd. clearly had the winning bid. —**BOYALD GOSWALD**
Pawtucket

Lessons from a tragedy

Your article describing "Bona Becker's hollow victory" (*Argus*, Nov. 24) kept discussing at issue of the more disturbing aspects of her tragic case. What are the broad expectations of Canadians from their lawyers and their legal system? Are parties to lawsuits as well advised of the costs, delays and risks of litigation as they are of their rights? What alternatives are there to the adversarial system, particularly in such things as family matters? Does the system by its nature exacerbate rather than resolve conflicts? Let us use the sad occasion of Becker's suicide to re-examine not only court-ordered enforcement procedures, but the entire adversarial system of litigation itself and, as well, the ethical framework of lawyer-client relationships. Is it the least we can do? —**DET STEINACK**
Toronto



Mohamety clearly a winning bid

Providing for the victims

With regard to your article on *Mohamety*, by Carol Kirby and Thomas C. Jenner ("Confessions of a hit man," *Books*, Nov. 3), former Ontario MPP James Bennett's bill to prevent explicit endorsement through the federal exploitation of crime was re-introduced in my notice in the Ontario legislature on Oct. 28. Courtesy to the nation of lawyer Edward Grossman, quoted in your story, the bill would not prevent or restrict the publication, broadcast or film production of memoirs of convicted or accused criminals. It would simply provide that the autobiographer's picture or the victim's families could make a claim for compensation to be paid from the profits of memoirs. —**JOHN GROSSMAN**
RPP, Ottawa Centre, Ontario

Postal confusion

Your article on government plans for economy in the post office ("The postage stamp revolt," *Canada*, Nov. 27) says, "First-class letters would be delivered locally in two days, between cities in the same province in three days and between major centres across the country in four." This is called "airmail delivery." How much more can the delivery rates? I mailed first-class mail in Montreal on Nov. 4. It arrived in Victoria on Nov. 12. I remove mail from Australia in the same time, or less, than it takes to get mail from the Kootenays in British Columbia. We wage over unemployment, let's employ more people to provide the good mail service for which we already pay so dearly. —**R.C. MCKINNEY**
Victoria

Letters are edited and may be condensed. Writers should supply name, address and telephone number. Mail correspondence to *Letters to the Editor*, Montreal's *MAGAZINE*, Montreal, Quebec Blvd., 117 Bay St., Toronto Ont. M5W 1A7.

KIRK Charismatic Hollywood leading man Cary Grant, 55, whose good looks and deft comedy skills endeared him to movie audiences for 30 years, of a massive stroke suffered in Davenport, Iowa, where he was scheduled to give a talk at a local theatre. British-born Grant, whose real name was Archibald Leach, starred in more than 70 movies, including *Bringing Up Baby*, *Casper* and *North by Northwest*. Most of his films showcased Grant's light romantic touch, but his two best-actor Oscar nominations were for dramatic roles in *Penny Sweeney* and *Now, Wait for the Last*. Grant was awarded a special Oscar in 1959 as a tribute to his mastery of the art of screen acting. Presenting the award, Frank Sinatra captured the essence of Grant's appeal when he said, "Cary makes it all look easy."

DEED Cuban-born bandleader Desi Arnaz, 69, best-known as the co-star of TV's 1950-1961 comedy series *I Love Lucy*, of lung cancer, in Del Mar, Calif. Arnaz, the perfect foil to the may reformed played by wife Lucille Ball in the classic sitcom, was also a successful and innovative producer who introduced the non-standard concept of filming a show with multiple cameras before a studio audience.

HONORED Former Newfoundland premier Joseph (Joey) Smallwood, 85, as a companion of the Order of Canada, an award which recognizes outstanding achievement in various fields of human endeavor, by Gov. Gen. Jeanne Sauvé, in Ottawa. Smallwood, a Liberal who led his province for 20 years, is credited with producing a reluctant Newfoundland into union with Canada in 1949 and is often referred to as the only living Father of Confederation.

FINISH Former National Hockey League coach Scotty Bowman, 53, as general manager of the Buffalo Sabres, a move that followed his team's slide this season into last place in NHL rankings and his own resignation as coach. During the 1960s and 1970s Bowman had one of the best coaching records in the league, but he was less successful during his eight-year tenure with the Sabres. Bowman will be replaced by former Sabres captain Gerry McNeil, the team's assistant general manager.

BULLED The 10 personal charges will be laid against Montreal convenience-store owner Guy Gauthier, 32, who shot and killed a robber on Nov. 28, by chief Crown prosecutor Yves Lussier, who said that Gauthier's action fell within the terms of the Criminal Code's Section 25, which deals with self-defence.

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Reviving an old borough

The indications of revival are everywhere. In the southeast area of the borough of Brooklyn called Brighton Beach, signs in the Cyrillic alphabet hang above local stores bustling with recently arrived Soviet Jews. Babushkas—grandmothers—speed their afternoons offing on lawn chairs by the boardwalk that runs along the Atlantic Ocean shoreline. Along a stretch of Atlantic Avenue, which runs through the borough, Latvian immigrants have turned once-decaying city blocks into a thriving community. Brooklyn, population 2.5 million, the largest and most colorful of New York's five boroughs, is undergoing a remarkable revitalization. Since 1965, when the U.S. government liberalized its immigration laws, waves of new Americans, their numbers bolstered by white and black professionals fleeing the skyrocketing real estate prices of Manhattan, have made the 83-square-mile borough their home. "Brooklyn used to be all short immigrants," said Vladimir Bolenski, a Soviet Jew who came to the United States with his

family when he was 16. The 22-year-old cabdriver and Brighton Beach resident added, "Now it's again."

Incorporated into New York City in 1898—before then it was an independent city—Brooklyn grew with successive waves of immigration. One bor-

After years of decay, new immigrants and white and black professionals are contributing to Brooklyn's rebirth

rough years ago Germans and Irish arrived on its docks to overwhelm the original Dutch and English settlers. Then came the Italians and Eastern European Jews who gave the borough its dominant character throughout much of the 20th century. Now, after years of urban decline caused by economic setbacks and restrictive immigration policies, immigrants are once

again bringing energy to the borough. Said David Meit, an architect at the Teachers College at New York's City University: "Brooklyn's strength has always been that it is very hospitable to first-generation immigrants."

But the flood of new Americans to Brooklyn began to decline after the First World War, when the U.S. government introduced immigration quotas to restrict the growing numbers of immigrants from Eastern and Southern Europe. By 1933 the number of newcomers to the United States had fallen to 20,000—from almost 1.5 million in 1907. And as established immigrants began leaving the borough for larger homes elsewhere, Brooklyn began to lose its cultural vitality. In the 1950s and 1960s Brooklyn's degeneration was hastened by the rapid loss of its industrial base and an influx of poorer Americans. But for many residents the real symbol of decay was in 1967, when the Brooklyn Dodgers baseball team moved to Los Angeles, where its owners hoped to increase profits.

Now, the fourth-largest city in the United States, as a borough again provides, is again thriving. Since the quota system was liberalized in 1965, immigration has increased from about 2.5 million between 1961 and 1969 to almost 4.5 million between 1971 and 1980. And

Brooklyn's historic reputation as an immigrant center has attracted many of the newcomers. Some have moved into the same neighborhoods that were occupied by immigrants from their own countries during the early 1900s. Soviet Jews have gravitated to Brighton Beach, known as Little Odessa—

once the home of turn-of-the-century Russian Jewish immigrants. Newly arrived Italian Jews settled in Bensonhurst, and Polish craftsmen in Midwood. At the same time, new cultural centers—the Bohemian Avenue and the Jamaica and Hillcrest of Crown Heights—have added to the

cultural mosaic of the borough. And Brooklyn is also benefiting from the arrival of white and black professionals who are replacing suburbanites like Cobble Hill, Carroll Gardens and Park Slope. In Cobble Hill, according to Meit, "third-generation Italians are fleeing the dilemma of whether to sell their houses to their nephews—or to Manhattan realtors willing to pay a half-million dollars for them."

But the newcomers still face daunting problems. In spite of its revitalization, Brooklyn leads the five New York City boroughs in murders, rapes, assaults and robberies. In the eyes of many New Yorkers, the Bedford-Stuyvesant neighborhood has replaced Harlem as the urban symbol of black poverty. And tensions often exist between ethnic groups in Williamsburg, Hasidic Jews and Puerto Ricans have for years been locked in disputes over racial quotas in public housing projects and the use of community centers.

Still, a house in Brooklyn is becoming a coveted commodity. Brooklyn is once attracting new business: in 1980 the Hutton Hotel Corp. began to open the borough's first new hotel in years. Said Village Voice columnist Pete Hoff: "For the first time in decades, Brooklyn is a good address."

—LARRY BLACK in Brooklyn



Soviet migrants in Brooklyn: a historic reputation as an immigrant center

EVOLUTION

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Designs for an empire

Cotton jeans, sweaters, socks, leather loafers, watches—even underwear—compete for space in the crowded store on Toronto's fashionable Queen Street West. The store of the store is Club Monaco, and all the items in it are designed or approved by Alfred Sung. Since September, 1990, 13 Club Monaco outlets—catering to men, women and children—have opened across Canada, posting a promising \$6 million in sales since the first store opened. They are the latest addition to the fashion empire of a man who, long famous for his tailored women's clothing designs, is beginning to make his mark in the \$5-billion Canadian retail fashion market. "I try to design clothing that people will enjoy buying and wearing," declared Sung at the Toronto offices of his company, the Monaco Group Inc., where he works with two partners, eight young assistant designers and 64 support staff. "I feel confident that we are going to get better and better."

In the volatile fashion industry, the success story of Sung and his partners, entrepreneurs David and Joseph Mancini,



Sung: rapid expansion, new stores and a stock move

is rapidly becoming a legend. Since 1979, when the three men first began working together, revenues from Sung's two women's clothing lines have risen by an average of 40 per cent each year; total retail sales for the company were \$75 million in 1990. As well,

as establishing the new Club Monaco stores, last March Sung and his partners made a first-ever public stock offering, which quickly sold out. And this spring, despite a recent drop in his company's stock price, Sung will take on the highly competitive U.S. market, where his classic suits and dresses have so far enjoyed limited success, said Ronald Harowitz, editor of *Elle* magazine. "The image he has created is sophisticated and international. At the moment, Alfred is it."

The idea, Shanghai-born Sung, 38, is well poised to woo the U.S. buyer. Although this fall Monaco, in a departure from its regular practice, declined to show the Alfred Sung spring line to the New York fashion press, the Monacos are negotiating licensing arrangements that will see 300 Club Monaco franchises across the United States by 1994. And Alfred Sung boutiques already offer his women's design line in Boston, Washington and Mount Woll, N.J. Sung says that he is determined to compete internationally as a Canadian designer. "We have had wonderful opportunities and support here," he declared. "I have no intention of moving elsewhere."

Still, Monaco's rapid expansion has aroused some concern among financial observers. Stock issued at \$7.50 in February quickly rose to \$10, but was trading at only \$6.25 in November. Surveys show that decline to be part of a longer trend, however, which has affected 61 per cent of 1990 first-time share offerings. And although share profits are currently less than half of what Monacos estimated in its prospectus, the disappointing performance has largely been due to unexpectedly high store costs. In fact, merchandising analyst Mary Jane Polubinske of Merrill Lynch Canada Inc. said investors know Hix means to be concerned in the long term. "They are a young company on a first expansion track," said Polubinske. "Monaco will continue to grow with their market."

—JULIA BENNETT in Toronto

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COLUMN

New strategies for an old game

By Dan Cohen

The imminent timing of the Grey Cup and the Liberal party policy convention offers food for thought about the economy. In sports there are winners and losers; the nature of the game is adversarial and confrontational. In politics things were just as simple in the good old days. There was a true winner and a loser. We could easily identify the good guys and the bad guys, just as we believed that even long-standing problems had simple solutions.

Because we were so sure that we could mould the economy to our liking, politicians, like football strategists, found it easy to call the plays. If the problem was stagflation, the solution was a few billion dollars in foreign aid.

If more economic growth was needed, the answer was to lower interest and tax rates. If industrial labor-management disputes reared their heads, the answer would be found at the bargaining table. Economic recovery almost instantly meant: shrinking unemployment and low inflation meant increased affluence.

Hardly anyone believes in the simple life anymore. Among Canadians across the country, there is widespread doubt that any one political party has better answers to the issues than another or that, once in power, any one leader can outplay the problems inherent in the system. Increasingly, people tell me that they are uncertain about whether one of our more attractive problems—interest rates, the deficit, even unemployment—can be solved through domestic political decisions alone.

Politicians, if they are to be as useful in the 1990s, have some serious issues to address. Among them are the implications of the huge structural change our economy has undergone. From 1968 to 1975 public budgets expanded and politicians developed a clear perception of their own role to keep track of the wealth, to share off the tax revenue from that wealth and to redistribute it according to their own views of social equity. That wealth flowed beautifully from wheat, lumber, pulp and paper, oil, natural gas and heavy industry. Now, these resources are no longer as valuable—yet, because they have always been there, we have only partially developed alternatives to maintain our cash flow. For the future, politicians such as Brian Mulroney and John Turner, who came of age during

the 1950s, must struggle to learn something that they never thought they would have to learn to govern without much money, to redistribute scarcity and to build confidence in our ability to find a new source of wealth.

Another problem facing politicians is re-examining the simple materialism—the mass markets for political ideas—are becoming harder to identify. A new network of socially and politically conscious Canadians has emerged from the infancy of the 1970s and the resurgence of the early 1980s. These voters are less willing to grant a clear social and economic policy mandate to government. They are also more likely to support a minimization of government's prescriptive involvement in the economy.

Significantly, these people are not marginal participants in Canadian life who seek to enter the mainstream. They are middle-class Canadians who

Politicians such as Mulroney and Turner must learn something they never thought they would have to learn

feel that their hard-earned place in the economy is threatened. They are concerned about the future of their children. And as a group they challenge modern politicians to drop the left-right ideological baggage of ideological confrontational politics. Our leaders need new ways to define and mediate the complex array of demands being made by an increasingly pluralistic world.

Among the issues that have yet to be confronted realistically—or constructively—by any Canadian political party is a free trade. For example, at the November Liberal policy convention John Turner was heard with radically differing views on the subject. But to Donald Macdonald, whose royal commission recommended freer trade, and subsequently, in the absence of consensus, a leader has to lay down a firm position—on this issue, in support of the free trade talks. Turner must make a decision one way or another—although the details might be up for discussion later—and his party should respect that position. Another far simpler example is the very concept of a

job, the most basic bond of Canadians to their economy. It is no longer sufficient that if you are an industrious person and obey all the rules you will automatically find a job. And certainly very few people can now assume that they will spend a lifetime with the same employer. The new employer-ward pressure portability is one attempt to meet this challenge. But as a society we have yet to address seriously the question of a permanent unemployment support system that can be sustained for as long as it takes to redefine work. And even that's not enough. A recent report on the unemployment insurance system steps beyond its mandate to recommend income support both for the working poor and the unemployed (page 14). Because it suggests radical changes in the system we know, it has been dismissed on all sides. Let the critics know that our present systems of unemployment insurance, welfare and job retraining are ill-suited to a lengthy transition period of high unemployment among the mainstream of the Canadian middle class.

All the energy that goes into political bickering—and that will only increase as social tensions are exacerbated by the transition—could be used to concentrate on finding new models, new solutions, made-in-Canada ways of adapting to the restructured economy. And that in turn means that the ones will be on politicians to break through the old mind-set, base line of public mistrust, feeling uneasy with the deficit, unemployment, free trade, international debt and tax reform means cooperation—not just among political parties but among academics, labor leaders and businessmen. It does not mean a gratuitous confrontation that goes nowhere.

Otherwise, industries where employees and unions indulge in protracted battles may find themselves with nothing left for which to fight, and politicians may find themselves without an audience. We could be a backwater within a short time if we continue such destructive behavior.

Let's not allow that to happen. Let's leave adversarial games on the playing field. In the business of the nation's economy, there is no time or room for disagreement just for the sake of it.

Dan Cohen is a Montreal-based economist.



Turner faces the future

The lively music, red wine and five-course Italian meal probably helped. But they were not the only reasons the 73 Liberal MPs in Toronto's York West riding were in high spirits last week. They had gathered in the Galaxy Banquet Hall to celebrate the resounding victory of their leader, John Turner. Only two days previously, 76.5 per cent of the delegates to a national Liberal convention in Ottawa had endorsed Turner's leadership. That show of support, York West MP Sergio Marchi told his cheering constituents, had "returned the party to the grassroots and opened the doors to fresh air, frankness, honesty and integrity." Across the country, Marchi's words were echoed by Liberals who saw Turner's triumph as a victory for real-and-file party members.

But there was also evidence that Turner was not moving swiftly enough to heal political wounds created by the divisive leadership debate. And some Liberals expressed doubts about his willingness to adopt the policies that Liberals had decided he should carry into the next election campaign. Even the breakdown with which Turner had impressed Marchi and other Liberals came under challenge—as part of a carefully rehearsed performance. And perhaps most important, there were warnings that the Liberal party's financial problems are much more serious than had been initially believed.

As Turner returned to the parliamentary floor, confident that he had no immediate plans to contact key people who had pressed for a revision of his leadership mandate, he was waiting for the pro-reformer forces to make the first peace overture. He had adopted the same tactics after defeating Jean Chrétien for the party leadership in June, 1986, waiting for Chrétien to telephone ministers after the result of the leadership vote was announced. At the time, Turner was blamed for keeping the party divided by failing to reach out immediately to his rival's supporters—a charge that was echoed last week.

The Turner camp, said one party official, was "more conciliatory in public than in private." Even publicly, some Turner loyalists sounded vindictive tones. Conservative MP, who retired as party



Liberal MPs applaud their leader's victory divisions over new policy positions.

president at the convention, told the York West meeting: "We know who Gosses and Bretas are. We will remember." And he added: "I'm not prepared anyone I don't have to be also."

But other Turner supporters were trying to weed political weeds. Senator Michael Kirby, Turner's chief election strategist, assumed the role of peacekeeper by placing leaders of the defeated pro-reformer forces—Devlin Mills, a prominent Toronto-area Liberal who had campaigned for a leadership review, and that he reminded the calls from senior Liberals, including Kirby, within days of the convention.

"I don't think being vindictive is much help to anybody," Kirby told Marchi. "Let's get on with the job of beating the Tories."

The Tories, meanwhile, were delighted with Liberal divisions over some

policies. Several resolutions adopted at the Ottawa convention diverged from traditional Liberal stands on foreign policy. Among them, a demand that Ottawa pursue a policy of "strategic neutrality" by the United States in Canadian companies he cited, and a declaration that Canada should be a "nuclear-free zone." That proposal would force Canada to break its commitments to NATO. "They're all over the map as a number of issues," said Deputy Prime Minister Donald Manion. "I think we're going to have a little fun." An aide to Prime Minister Brian Mulroney said that the Tories were already discussing ways to portray the Liberals as anti-NATO.

The new policy positions also created difficulties for Turner in his own caucus. Some MPs said that the leader did not seem to be attracted by the resolutions, others disagreed. But if Turner does not follow the new party

positions, said Montreal MP Warren Allmand, "then we're going to have some problems."

For their part, New Democrats voiced delight at Turner's victory, claiming that he would be an asset in their election planning. They forecast a repeat of the 1984 campaign, when they labelled Turner a conservative in Liberal clothing. Said NDP Leader Ed

Chambers' delegates. His group was carefully vetted by Kirby. Liberal caucus chairman Douglas Frick, British Columbia adviser Senator Jack Austin and Liberal House leader Herb Gray drew rebuttals of speeches—including jokes—were conducted at Turner's official residence, Stornoway, before an audience of aides. In one, Turner agreed to ingratiate himself

as: "He was impossible. His suits fit like a glove, his shirts were the perfect color for the cameras. It was quite a change." And during the convention itself, Apur staged a few doors down the hall from Turner's 20th-floor hotel suite, ready to offer last-minute advice. Ken Dwyer was impressed. Said the assassin of Turner's performance: "It was well rehearsed."

But while the leadership issue appeared resolved—at least until after the next election—Turner still faces major problems inside his party. By the day, the biggest worry the Liberals' enormous debt, now said to be approaching \$6 million. Only hours after Turner was reaffirmed as leader he met members of the party's national executive privately in Ottawa and told them, "The No. 1 problem is now money." That difficulty will become acute in the next two months, when some big bills—including one for \$600,000 from Air Canada for flying delegates to the convention—come due.

The Liberals did make progress at the convention in addressing one cause of their financial woes. Officials had complained about the party's inability to assemble a roster list of members and supporters needed to raise money through new direct-mail techniques. The convention passed a resolution encouraging, but not requiring, provincial Liberal organizations to submit their membership lists to national headquarters.

Senior Liberals conceded last week that they had little chance of winning the 1991 key ridings targeted for the next election if they do not solve the party's financial troubles. "The convention was a good milestone for the party," a senior Liberal said last week. "But now Turner must get back on the ladder right now. He has to get a lot higher to climb. And the higher he climbs, the more it will cost. We cannot win without money." And that, Liberals at any level acknowledge, will be another tough test for Turner.

—PAUL GREINER with MARY JANNIKIN and
ANDREW ALLEN. STAFF WRITERS: MARK
CLARKE and HELEN MACKENZIE in Ottawa.



Merch (left) and Campaigners at Toronto had raised last week: some loyalists sounded redemptive.

Broadbent. "I am not unhappy with a conservative heading the Conservative party and a conservative heading the Liberal party." But many Liberals, including Senator Keith Dwyer, one of Turner's toughest critics, said that he had moved significantly to the left during the convention—endangering a national child care program and tentatively supporting a guaranteed annual income.

Deeply was also among the party members who greeted Turner's newly fearless convention performance. Once awkward and wooden in public, Turner impressed supporters and opponents alike with a smooth and spontaneous manner. In fact, party officials acknowledged last week that Turner spent most of the two weeks before the convention rehearsing speeches and appearances—including several of the apparently spontaneous touches that

with the party's women's commission by referring to himself as a "reformed big spender"—a reference to the 1984 incident when he was caught giving Campaigners' rear a friendly pat. The line was a big hit.

To polish his performance, Turner called on Gaber Apur, a Toronto consultant who has advised such other top Liberals as Ontario Premier David Peterson and former prime minister Pierre Trudeau on how to walk, talk and dress. Apur first worked with Turner in the winter of 1984-1985, helping him to choreograph a series of laugh and awkward facial movements. Apur spent more time with Turner during weekends before the convention. They watched videotapes of Turner in action and reviewed his performance. Apur also provided Turner to order a new wardrobe for the convention. Said one senior Liber-

Power for export

Manitoba Energy Minister Wilson Paraskiw has called it one of the keys to building the province's economy. And in Quebec, Premier Robert Bourassa has vigorously pursued his dream of making hydroelectric power the engine of that province's economic growth. For both governments, exporting more electricity to utilities is vital if they are to proceed with major expansion of major hydro projects—Lamontagne in Manitoba and James Bay in northern Quebec. But their hopes—and those of other provincial hydro utilities seeking increased exports to the United States—now face a potentially serious threat. This week a group of American coal producers and power utilities is expected to launch a campaign to persuade Washington that Canadian hydro exporters have an unfair competitive advantage. Said Fred Wertz, secretary-treasurer of the Cleveland-based Ad Hoc Coalition on International Electric Power Trade: "Because the Canadian industry is state-owned, its costs are lower. We want to even out the rules." Canadian officials are concerned that hydroelectric exports



Bourassa: another American challenge

could open a new front in the escalating trade battle between the two countries—prompting an additional threat to U.S.-Canada free trade talks.

The new coalition has more than 20 corporate members and the support of the governors of West Virginia and North Dakota. Its leaders argue that Canadian electricity is often sold to U.S. customers at 30 to 35 per cent below the cost of the cheapest American supply, undercutting local producers and reducing demand for U.S. coal. As a result, spokesmen for the coalition say that the group will consider lobbying for legislation banning further imports of Canadian power—valued at \$1.6 billion last year—or seek a countervailing duty on Canadian power.

That tactic was pursued successfully by American lumber producers, who in December won a preliminary 15-per-cent tariff against Canadian softwood lumber imports. The power lobby might also try to persuade free trade negotiators to make hydroelectric imports part of the free trade talks.

Canadian trade officials countered that a countervailing duty petition is unlikely because hydro power is not legally an import. Privately, however, they fear concerns that an orchestrated attack on power exports could jeopardize future sales to the United States. One Quebec representative to the free trade talks said, "These groups do not have much of an ear in Washington, but they are picking up support. If you reject something often enough, it can become a political problem." The stakes are equally high for Manitoba, where Manitoba Hydro is awaiting approval of a major new contract with a six-state utility consortium in the American Midwest.

The U.S. challenge over hydro exports comes just at a time when the long-standing softwood lumber dispute is nearing a climax. Last Friday Canadian representatives handed the U.S. Coalition for Fair Lumber Imports a detailed proposal for a negotiated settlement. In effect, Ottawa offered to offset the American tariff by raising Canadian lumber export prices by 15 per cent through a federal export tax or increased timber-cutting fees. Rejecting the offer, the U.S. producers said that they would proceed with their own. But they also noted hope for a negotiated solution if no settlement is reached, the commerce department must consider a final ruling on the coalition's tariff application. That decision is expected on Dec. 28—guaranteeing a nervous holiday season for Canadian lumbermen.

—BRIAN WYLAZAK in Montreal with
L.A. ALSTON in Washington

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Disputed conclusions



Forget releasing report in Ottawa: 'starting point for a national debate.'

His report, Claude Forget said, was "radical." And his recommendations for reforming Canada's unemployment insurance system, he conceded, "will be controversial." But when the Conservative government finally released the 316-page study by Forget's commission of inquiry last week, his assessment proved to be a major underestimation. Labor leaders bitterly denounced proposals that would cut \$1 billion from the \$25-billion-a-year insurance system, which last year paid benefits to just under three million Canadians. And politicians in Atlantic Canada charged that implementing it would take \$600 million a year from the region's already-slumping economy.

But none of the most damaging criticism came from within the commission itself. In a 41-page dissenting statement, two of the six commissioners called the chairman's recommendations "ignorant" and "misleading." Forget's report, and Jack Munro and Frances Scott, both vice-presidents of the Canadian Labour Congress, "misses the jobless for their own comfort."

In response, Forget quietly defended his report, which took 17 months to complete and cost an estimated \$5.5 million. The labor commissioners, he said, had misinterpreted his ideas for streamlining the unemployment insurance system. Still, the split in the commission it emerged in October

with the unannounced release of a copy of the dissenting report—underscored Forget's effort. It also foreshadowed the struggle that the government will face when it presents its own proposals for unemployment insurance reform next May. Indeed, the Mulroney government quickly distanced itself from the Forget substance. Just

hours after the report's release, Transport Minister John Crosbie told television viewers in Atlantic Canada that "this government has no intention of accepting" the commission's recommendations. Aided Crosbie, who is Newfoundland's premier, said John's West has an unemployment rate of 20 per cent. "No one needs to fear that they will lose their unemployment benefits."

At the core of the debate was a fundamental disagreement over the purpose of unemployment insurance. Forget argued that the government should stop using it as a income-support system. Ottawa, he said, should eliminate the plan's related job-training programs, extended payments to fishermen and other special benefits for regions of high unemployment. Forget

estimated the savings from those cuts at \$3 billion. He said that the federal and provincial governments could use those funds to supplement the incomes of those affected by the changes. And he added that Ottawa could then establish long-term economic development and training programs. Said Forget, a former Quebec Liberal social affairs minister: "The role of unemployment insurance is to stabilize a person's income in some measure. Any attempt to make it do more will lead to uncertainties and ineptness."

But critics said that they were unwilling to trade the current system for a poorly defined income supplement plan. The president of the Newfoundland Fishermen's Union, Richard Coshin, said that Forget's reforms would place a stigma on the province's hard-pressed fishermen, many of whom now submit for much of the year on unemployment insurance. And New Democratic Party MP John Rodriguez said the report's key proposals belonged "in the ashcan of history."

By contrast, many business leaders applauded the report. Social policy groups also praised its recommendations—including measures making it easier for part-time workers to receive unemployment payments and increasing benefits to 60 per cent of average weekly earnings from the current 50 per cent. Under Forget's "annualization" proposal, payments would be calculated on the basis of the claimant's average earnings in the previous 52 weeks rather than 18 to 26 weeks, as is done now. Forget recommended stopping at 30 weeks the maximum period that a claimant would have to wait before receiving benefits.

The heated attacks on Forget prompted a defense by one commissioner, Dr. Martin Moszko, the retired president of Memorial University of Newfoundland and the only panel member to back all of Forget's recommendations, criticized the labor members for waging a "guerrilla war" against the majority report. But Forget said that, in fact, the emotional debate may have helped his cause.

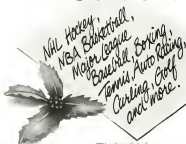
The true purpose of his report, he insisted, was to serve as "a starting point for a national debate." Last week, Forget achieved that goal.



Coshin's anger.

—MARTIN CREE with MAURICE LAMONTAGNE
in Ottawa; GREGORY J. ZUCKER in Halifax and
CATHY WHITE in St. John's

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Mirabel gets a reprieve

For years Canadians—politicians, business insiders and air travellers—have debated the future of Montreal's two international airports, Mirabel and Dorval. Some of them claimed that the federal government should shut down the underused and money-losing Mirabel facility, 35 km north of the city, and channel all flights to the older, more profitable Dorval, just 20 km from downtown Ottawa said that closing Mirabel after only 11 years of operation would be an economic disaster, and they recommended creating the \$60-million facility by the area's main airport. The issue was so contentious that a federally appointed board that spent 14 months studying it emerged almost evenly divided—five members favored Mirabel, four supported Dorval.

Last week Ottawa finally announced its verdict: both airports will stay open under a new, joint administration. Mirabel will continue to handle most international traffic, while Dorval will keep domestic flights. But the decision caused dismay among many local officials, who said that the transport ministry had not done much better than the board. Ottawa, said Dorval supporter Maxime Vézina, president of the Montreal Board of Trade, but "put off the real solution for another day. International airlines just don't want to fly here. Montreal is the big loser."

For the much-entrenched Mirabel, the decision was a welcome reprieve. Last year the sprawling airport handled only 1.7 million passengers, losing \$6.6 million. In sharp contrast, Dorval had 5.8 million passengers and made a profit of \$9.1 million. André Bouchette, federal minister of state for transport, said that the previous Liberal government made a mistake when it built Mirabel, then, closing other airports, he said, would cost \$275 million in \$400 million and eliminate more than 790 jobs.

Indeed, Ottawa will contribute up to \$38 million toward completing Autoroute 13, a highway that will link the two facilities and cut travelling time for connecting passengers to 25 minutes from 35. As well, a new shuttle-bus service will be established between the two airports. But that will not help transfers making the 45-minute trip between Mirabel and downtown Montreal. The one-way taxi fare, \$50.

—MARCUS GEE with BRUCE WALLACE in Montreal



Winston Hixson: "This is the legislature of its very name!"



An inflammatory debate

The debate was as ugly as it was long. Indeed, veteran members of the Ontario legislature described the fight to amend the province's Human Rights Code as the most mean-spirited exchange they had ever witnessed. The core of the controversy: an amendment barring discrimination against homosexuals. During five days of emotion-charged speeches, homosexuals were labelled as deviants, compared to alcoholics and blamed for declining birth rates. Declared New Democrats house leader Ross McClean, whose party sponsored the amendment: "Quite frankly, this is the legislature of its very name!"

Lobbying was intense on both sides of the issue, but opponents of the amendment were especially active. Religious groups and parent associations mailed 8,000 letters to Liberal Premier David Peterson, declaring that protecting homosexual rights would erode traditional family values. Despite the campaign, the legislature passed the amendment 64 to 45. Wrenching from the public galleries, jubilant members of Ontario's homosexual community rose to their feet in a storm of applause.

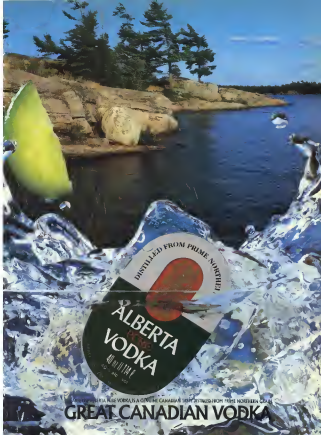
The clause, expected to become law by year's end, will make Ontario the second province (after Quebec in 1977) to legislate against denying access to employment, housing or service in public places on the basis of "sexual orientation." Declared David Raypole, spokesman for the Coalition for Gay Rights in Ontario: "It's a wonderful

symbolic victory for tolerance." Homosexual activists were also celebrating in the Yukon, where the NDP government introduced a similar bill last week. The measure, expected to go into effect early in the coming new year, has already aroused emotional protests. Conservatives such as Alan Stordy and that the issue has thrown the Yukon "into the greatest turmoil it has ever seen."

In Ontario a free vote in the legislature allowed members to vote without following party discipline. Only three of the 45 Conservative members sided with leader Larry Grossman and supported the amendment. All 22 NDP members present for the vote supported the bill, as did 39 of 43 Liberals.

During debate, each leader warned against allowing pressure from fundamentalist groups to determine the vote. Ross Peterson: "I don't think this province should be governed by polls or pressure groups." But Rev. Hudson Hixson, who spearheaded the fierce campaign to defeat the amendment and whose broadly based Coalition for Family Values included the National Citizens' Coalition, the Pentecostal Assemblies of Canada and SEAL Women of Canada, declared, "The people of Ontario really haven't been heard." Implored the premier: "We must not confuse private morality with public policymaking."

—GERRIE ALLEN NEEDLE in Toronto with JAMES BOUTLER in Whitehorse



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PEOPLE

The pop group The Spoons and its bassist, **Sandy Horne**, are passing through a transition. Horne, 26, says that the Toronto-based band's new album, *Bridge Over Burner*, signals an adult decision with its tougher, harder sound. "She screwed the band with song," guitarist **Gordon Deque**, 21, in 1979 while both attended high school in Burlington, Ont. Their early music appealed mainly to teenagers, but Horne insists that Spoons fans have "grown up" along with the band. As for herself, Horne said, "I'm tired of being the girl next door you want to bring home to Mom—I want to be a sex symbol."

When tiny **Megan Follows** won the best actress award for a drama at the Gemini Awards for Canadian television last week, she gave an emotional but poised acceptance speech that belied her 18 years. Follows, who was far her starring role in *Anne of Green Gables*, collected one of the 10 Gemini



Follows, ready to act in adult roles

awarded the series *The Toronto-born teenager*, who moved to Los Angeles four years ago to further her acting career, recently finished filming an *Anne* sequel, to be aired on CBC TV next fall. Follows says that she is now ready to act in adult roles, but added that she "will miss stepping into Anne's shoes."

The television documentary *Robber Torres*, made by two Canadian sisters, will be broadcast in 60 countries over the next six weeks, including Canada, where it will air on Christmas Day. New York-based **Ann Peble** and her younger sister **Joanette** spent five years filming the Nobel Peace Prize winner on location in 16 countries in four continents. Ann says that her sister

first thought of arranging to show *Robber Torres* around the world after the film's successful premiere at the United Nations last year. "We began to think of the film," said Ann, "as a gift to the world that everyone might see at the same time." Earlier this year the Pebles hired a distributor to promote the film at the International TV Marketing Festival in Cannes, France. Said Ann: "The response was overwhelming. And these people don't like to be told what to do and when."

Last week the tables were turned on playwright, actor and critic **Maclean Maclean**. Instead of presenting awards, as he did during his four years as Canada Council chairman, he collected one. Maclean and **William Gray**, a philosophy professor at the University of Ottawa, received the annual \$50,000 Maclean Prize, awarded by the Canada Council for outstanding achievements in the arts and the humanities. Stud Moore, 67, who stepped down from the council in 1983 and now teaches at the University of Victoria: "It was interesting to be at the receiving end." For him, the highlight of the awards presentation arrived when current Canada Council chairman **Margaret Forrester** handed him the cheque and said, "Here's the money, honey."

After seeing a dramatic news photo of Toronto Maple Leafs star **Rory Lamont**'s severely cut face, many National Hockey League players are shying from protests. One of them, Edmonton Oilers superstar **Wayne Gretzky**, 25, said that he opposed wearing a visor until he saw Lamont's 51-inch gash, which required about 200 stitches after another player's skate cut him during a recent game. Stud Moore: "When you see what happened to Lamont, you have to wake up." Still, Gretzky may opt into his next five games without a visor, says Oiler spokesman **Bill Yule**, adding that the ice centre is trying none out and will



Horne "tired of being the girl next door"

wear one only "when he's absolutely comfortable with it."

Canadian actor **Al Waxman** says that he is still learning, even after four decades in show business. Waxman, who plays Laurel, Bert, Samuels in the Emmy award-winning TV series *Gunpowder and Lead*, is also teaching theatre students at Toronto's York University. In his monthly sessions, Waxman, 55, says that he shares his 38 years "of real-world experience in a profession profession." In return, declared Waxman, "I feed off the enthusiasm of the students. It's wonderful to get that back from them."



Gretzky waking up

—Edited by KYNONE COOK

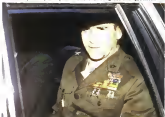
A president under siege

The change in these was swift and dramatic. Only days before, President Ronald Reagan had responded with anger and defiance to the worst crisis of his presidency, blaming the media for the outcry over the disclosure of profits from secret Iranian arms sales to the Nicaraguan contra rebels. He had promised, "I'm not going to back off." Then, after spending Thanksgiving weekend with a group of old friends in California known as the Kitchen Cabinet, Reagan abruptly changed his public relations strategy last week.

Concerned by the spectacle of the President under siege, his closest associates had persuaded him to act quickly to salvage his plummeting credibility and distance himself from the scandal. Accordingly, Reagan retreated to his familiar general image as he went on national television on Dec. 5, for the fourth time in three weeks, to unveil a series of measures designed to address the mounting criticism of both parties. In his first serious speech from the Oval Office, the President reassured the appointment of a Watergate-style independent counsel to investigate possible criminal behavior in the arms operations. He also named Frank Caruccio, a Central Intelligence Agency and Pentagon veteran, as his fifth national security adviser in six years and pledged his "complete co-operation" with the two investigation committees that were soon to be set up by the Senate and House of Representatives. Declaring Reagan "flipped out" were underestimates, those who said he will be brought to justice.



Ponderstein; North (below): no answers for congressional questions



But although analysts and politicians of both parties lauded these moves, it swiftly became clear that Reagan might not have done enough. Following his speech, an ABC News poll reported that the President's approval rating had dropped to a record low of 68 per cent—down eight points from two weeks before—while 55 per cent of those asked said that he was not doing everything he could to bring out all the information. To add to Reagan's continuing credibility problems, White House spokesman Larry Speakes chose last week to announce his long-expected departure on Feb. 1 for a job at Wall Street. And as Republican leaders continued to call for a more thor-

ough purge at the White House, including the resignation of chief of staff Donald Regan, a series of published reports drew Reagan personally closer to the heart of the scandal.

The evidence that emerged through the week was strikingly contradictory. According to inferred sources, former national security adviser Robert McFarlane had privately insisted—contrary to earlier assertions by Attorney General Edwin Meese—that the President himself had given advance approval for Iran's arms sales to Iran. The sources said that he made the assertion during his hours of testimony to a closed hearing of the Senate select committee on intelligence. Even more damaging was the conduct of former National Security Council (NSC) aides Admiral John Ponderstein and Lt-Col Oliver North. Despite Reagan's use of openness, they angered many congressmen by repeatedly invoking the Fifth Amendment—their constitutional right to refuse to answer questions that might incriminate them. Democratic Senator Patrick Leahy, vice-chairman of the intelligence panel, emerged from the heavily guarded committee room and declared, "If we don't have testimony, we don't have co-operation." But Reagan appeared to come Ponderstein and North by saying that it was "not our custom" for witnesses who "have no access to files or papers or time for preparation for questions" to invoke the Fifth Amendment.

Those developments unfolded amid further revelations about the tangle of financial transactions involved in the transfer to the contra of funds from the arms sales to Iran. One of the most

startling was the disclosure that a secret Swiss bank account used for the transfer contained a \$300-million U.S. international club fund—led by both the United States and Saudi Arabia and managed by the CIA. It was used to finance anti-Communist guerrillas in Afghanistan and other countries, possibly including Angola, Laos and Cambodia. Another potential embarrassment was the disclosure by ultra-conservative Texas billionaire Ross Perot that two years ago, at the request of North, he had paid \$2 million to reinstate American hostages held in Lebanon. The administration made the

surprise and even, he said, "I'd like to make us responsible for other work they ran up while in Central America."

At the same time, the White House was increasingly in disarray as top administration officials altered their versions of events or attempted to distance themselves from the scandal. After a congressional inquiry over the past month, Vice-President George Bush delivered a carefully worded speech to influential conservatives in Washington last week in which he seemed to reaffirm his allegiance to Reagan while distancing himself from the office. Bush acknowledged that

President had been the victim of "bad advice"—above all, the suggestion that there were cracks among the "Reagan boys," as he called them, who made up the Iranian regime. For Washington, the appointment of his longtime protégé and friend Caruccio, 56, as Reagan's new national security adviser was seen as strengthening the administration secretary's position in relation to Secretary of State George Shultz.

Meanwhile, as Republicans continued to call publicly for his resignation, the obscure White House chief of staff, Bruce K. Canine, announced a shockingly low profile. According to sources close to the White House, Nancy Reagan and the President's California friends have been pressing for Reagan's ouster, blaming him for the accumulation of embarrassments that have marked the President's second term. So far the President has refused to fire a fellow Irishman, with whom he likes to trade jokes. But one step that his resolve may be softening was an open discussion late last week by the President's old friend, retiring Republican Senator Paul Lauch, that he was available for service. Many Washington analysts predict that Lauch will replace Regan before the end of the year.

While analysts argued over the degree to which the current controversy resembled the 1970s Watergate scandal, which drove President Richard Nixon out of office, Nixon himself was solving Reagan on how to handle his problems. In White House sources disclosed that Nixon had urged Reagan to appoint an independent counsel and avoid any appearance of a cover-up. But unlike Nixon, Reagan seems likely to benefit from a concerted effort to spare the United States the worst effects of another damaged presidency. Said Stephen Hess of the independent Washington-based Brookings Institution: "There's still a fair amount of feeling that we don't want another failed president."

A similar sentiment seemed to exist abroad, where allied leaders refrained from commenting on the Washington situation because of the threat that it could paralyze foreign policy and eliminate any possibility of an arms agreement with the Soviet Union. In Ottawa, Prime Minister Brian Mulroney, whose own foreign policy may have been damaged by being linked so strongly to his personal relationship with the President—instead to give Reagan his vote of confidence. Said Mulroney: "I would caution anybody who is thinking like this not to go into an early decision." (He has put himself to be very reluctant in the past.)

—MARC DONALDSON in Washington



Reagan: a Watergate-style independent counsel to investigate Iranian arms deal

proposal to Perot at a time when it was publicly pleading never to raise his name. Perot, who said that he was not sure if the deal never came off, added that he had not sought for reasons of official denial. Commented Perot: "It gives everybody a semantic out."

At the same time, men who took part in the covert arms supply operation to the contra began to reveal details of their activities. State Department officials acknowledged that the government-owned planes that flew congressionally approved humanitarian aid to the rebels were resold in Central America with weapons from Europe, which were then diverted to the contra under private supervision. Those admissions did not appear to disturb Elliott Abrams, the hard-line assistant secretary of state for international affairs. "If we contract as

"mistakes were made" and that "our credibility has been damaged." Calling for a thorough investigation, he added, "Let the chips fall where they may."

A line which many observers said might come back to haunt him. Critics demanded to know how Bush—who sits on the NSC, receives a daily intelligence briefing and whose office has been linked with his cousin's murky operations—could have failed to be aware of the diversion of arms profits to the Nicaraguan rebels. Indeed, the vice-president's aides say that they are still concerned that his bid for the presidency in 1988 may have been irreparably damaged.

Also troubling his chances for the first time, before flying to Brussels for a NATO meeting last week, was Defense Secretary Casper Weinberger. He told reporters that he thought that the



Iranian worker, Hassan (below), poison gas from Iraq's secret desert factory

IRAQ

Weapons of last resort

Israeli Foreign Minister Shimon Peres called abruptly last week for an embargo on the sale of materials to Iraq and Syria that could be used in the manufacture of chemical weapons. The introduction of chemical weapons in the Middle East has become a taboo that Israel cannot lightly "be told a group of foreign ambassadors, Herbert Kroemer, a TV documentary producer and author of the recent book *The Islamic Bomb*, told this exclusive report.

location are hardly secret. The short chimneys and the configuration of the buildings are a tip off to Western intelligence analysts that Iraq's secret chemical warfare gas factory is at work producing the poison gas, including mustard gas, including nerve agents, that constitute Baghdad's weapons of last resort in the Gulf War.

Poison gas and chemical nerve agents, banned by the Geneva Protocol of 1925 following their use in the First World War, are capable of inflicting some of the most appalling tortures known to man. They destroy motor function and can cause body-shattering convulsions. During the First World War, the Iraqis used mustard gas, similar to that used in the First World War, and a modern nerve agent called "tabun" has

been confirmed by a UN inspection team that visited the Iraqi gas battlefields in the spring of 1984. And this reporter's own yearling investigation, in conjunction with the *Washington Post*'s Pioneer program, has revealed an Iraqi pattern of purchases designed to produce an even more advanced and deadly form of nerve agent, revealed by Nass, was made in the late 1980s and called "sarin."

Sarin is considered to be 10 times stronger than tabun, and more on par with it in quantities great enough to annihilate the civilian population of several American cities. In all—based on the volume of chemicals purchased since the end of 1983 and co-ordinated Western intelligence analyses of equipment bought and on stream—Iraq is able to produce about 1,000 tons of poison gas and nerve agents yearly.

Iraq's development of a sophisticated chemical gas industry began in 1975. But during the late 1970s it was overtaken as Iraqi scientists began trying to construct nuclear weapons using a French-supplied nuclear reactor near Baghdad. They suspected the reactor to produce enough plutonium by 1985 to enable them to build the Arab world's first atomic weapon. However, events that transpired removed the plan for chemical warfare production. For one thing, Iraq launched a massive assault on Iran in September, 1980. Then Iran took the offensive, forcing a standoff. And an Iraqi air raid knocked out the Baghdad nuclear reactor in June, 1981. At that point Iraq turned again to building a chemical warfare capability.

Beginning in late 1982 and continuing through 1983 and 1984, massive orders for raw materials, ostensibly for civilian use, were directed to purchasing agents in the United States and Western Europe. One order for five tons of potassium fluoride, which is required in nerve gas production, was shipped, apparently in good faith, by the Al Haddad Brothers of Nashville, Tenn. It was shipped by U.S. Customs agents to Kennedy Airport in New York in March, 1984. The bulk of known orders, however, was directed through Holland, especially through three Dutch trading companies. One of them was KSA, a small firm headed by a former Dutch Army officer, J. A. Bravenhorst.

In March, 1984, KSA received a large order for 200 tons of phosphorus oxychloride (POC), a vital component in sarin, and 200 tons each of two precursors



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for the deadly sarin, dimethyl phosphite and phosphorus hexoxide. With reports of poison gas use already coming in from the Gulf battlefield, Bannenberg checked with a friend in a laboratory in Delft, Holland, and then with the Dutch foreign ministry. It soon became clear that KSM had received a shipment last fall that, if fulfilled, would enable Iraq to produce enough poison gas to last five years. At the request of the foreign ministry and for reasons of conscience, Bannenberg says, KSM refused the orders.

In November, 1984, the Dutch authorities, in coordination with other Western governments, expanded the list of regulated raw materials. As a result, the Dutch required export licenses for 11 raw materials, the British and Americans for eight, the West Germans for five and Canada for four. But the lists were fairly limited in scope. Their weaknesses became evident after Iraq placed a second order with the Dutch company Melchemo n.v. On March 9, 1984, Iraq placed a giant order of which six items were almost certainly for poison gas production, although purportedly for civilian use. For one thing, 3,000 tons of thionyl chloride, designated by SEPP for "organic plastics and insecticides," is required for the production of both mustard gas and sarin. Twenty tons of arsenic, listed for "treaching glass and petrochemicals" was the same material stopped by U.S. customs in New York and is a necessary ingredient for making sarin.

Melchemo fulfilled those orders with relative ease. But there was one other major item on the Iraqi shopping list—60 tons of POCB, which is on the banned list of the Dutch government. Dutch officials, acting on information provided by Western intelligence agents, warned the company about the order. But company officials ignored the warning, and Melchemo

of POCB to destinations outside the European Common Market. Company officials also asserted privately they had no idea that the substance can be used as a key ingredient in the manufacture of nerve agents. The first part of the order of POCB—20 tons loaded in two separate containers—left Iraq by ship on Dec. 30 and 31 for



Antidote chemical gear: death is a mortal sin

Mersin, Turkey. From there it went by truck to Baghdad, arriving on Jan. 5 and 7, 1985.

On Feb. 26, 1985, the Dutch government seized a rail car on Melchemo's oil train outside of Holland just as it was illegally shipping banned chemicals to Iraq. Within days the Iraqis reacted threateningly. "In case your government is not stopping actions against our country," SEPP wrote Melchemo, with copies to the Dutch government, "blocking our necessary and our good

relations with you and the Netherlands is a prerequisite for our bilateral relationship between our two countries." In September, 1986, a Dutch court fined Melchemo for its illegal activities.

While the Dutch and others were providing the chemicals, West German

companies were making it possible for Iraq to build the facilities to produce chemical weapons. In mid-1984, the Karl Kolb company of Frankfurt and its sister company, Pilot Plant, were actively involved. Kolb officials maintain that the equipment they provided to Iraq was small scale and not designed for the rigorous requirements of chemical warfare production. But evidence presented by American intelligence officials to the German government in 1984, and later supported by additional satellite and other intelligence information, provided a different picture. It showed that Kolb-supplied production lines could handle the raw materials needed not only for pesticides but for poison gas. One plant was required for the insertion of the raw materials, thiophosphorochloride and dithiophosphorochloride—which could be used for protecting 60 tons of mustard gas monthly. A second plant was to produce the raw materials phosphorochloride and dimethylamine. It could also produce isobutyl, manufacturing four tons a month. A third plant was designed to produce thorides and phosphorus compounds, and it could turn out about four tons of sarin monthly.

German Chancellor Helmut Kohl personally intervened to stop the supply, and on Aug. 6, 1984, his government issued new export regulations. Kohl challenged the legality of the regulations, and in January, 1985, he won the first round when a court in Kassel declared that they were illegal and ruled there was no evidence that Kohl's equipment had actually been used to manufacture poison gas. The government appealed the decision in a case that is still pending.

So far only mustard gas and tabun have been used by the Iraqis against the Iranians. The rest of the Iraqi facilities were on line only in 1983 and 1986, and should the Iranians launch their expected full-scale attack, sarin, too, might be deployed. Other Middle East states that are believed to have chemical warfare capability in varying amounts are Israel, Egypt, Libya and Syria. Last June the U.S. State Department issued a formal warning that Syria "may have a chemical weapons capability and has resumed Iraq in the Iranian war effort." The poison gas and chemical nerve agents have clearly worried officials in the United States and Western Europe. One official pointed to the possibility that not just armies but state-sponsored terrorists could give cause for chemical warfare agents. "It may or may not be all that effective as a military weapon," he noted, "but with its disposal capabilities, it's fantastic for terrorism."

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Terror in the Punjab

For one terrifying hour, Ragbir Singh Arora says, he believed that he was about to be killed. Huddling in fear with his wife and five children on the second floor of his house in the east end of New Delhi, the 42-year-old Sikh shopkeeper watched helplessly last week as a band of Hindus set fire to his two cars and looted him from the street below. Armed with short tridents called *trishuls*, the rioters burned eight Sikh-owned shops and set ablaze two houses—including Arora's—before hundreds of policemen drove them off with gunfire and tear gas. Singed but otherwise unharmed in the attack, Arora said that the Hindu militants were not entirely to blame. "I think the government of India has produced this extremism," he said. "There is no security in India. We can be killed at any time with a trident in our back."



Wife mourning her son, fear of reprisals

The attack on Arora and hundreds of other Sikhs across northern India last week was in reprisal for the Nov. 30 slaughter of 25 Hindus by Sikh extremists in the troubled northern state of Punjab. On a lonely stretch of road between the towns of Parsdhot and Ka-

pathala, four Sikhs hijacked a bus and systematically killed the Hindu-style passengers—along with a young Sikh who, flouting the laws of his religion, had trimmed his beard and did not wear a turban. That incident—the worst massacre of Hindus by Sikh terrorists fighting to create an independent nation in Punjab—shocked Indian political leaders and awakened fears of a new cycle of violence in the four-year-old sectarian conflict.

In an angry backlash to the bus massacre, thousands of Hindus last week took to the streets in a mayday general strike, shutting down shops, factories and public transportation in New Delhi and four neighboring states. In response, police clamped indefinite curfews as parts of the capital. And in the Punjab, the new moderate, Sikh-dominated state government granted emergency powers to the police and reversed previous policy by agreeing to accept army assistance.

The Punjab has somehow provoked a nervous revolt among ruling Congress Party legislators. Furious over the failure to prevent Sikh terrorism, some now demanded the resignation of Home Minister Bura Singh and Sarjit Singh Barnala, Punjab's chief minister and leader of the Sikh Akali Dal party. Charging that Punjab's state government—dominated by moderate Sikhs since elections last year—has done little to control Sikh extremists, a member of a delegation of Congress Party MPs told Prime Minister Rajiv Gandhi that Barnala was "not capable of delivering the goods."

In an effort to counter the criticism, the central and state governments last week arrested about 100 radical Sikh students in Punjab on charges of supporting terrorism. Police also arrested Prakash Singh Badal, who heads a breakaway faction of Akali Dal, and Garchawa Singh Tohna, who was elected on Nov. 30 to head the religious committee that runs the nation's Sikh shrines. And for the first time in two years, Indian soldiers—armed with special powers of detaining, interrogation and search—returned to Punjab with orders to shoot terrorists on sight.

Still, the violence shows no sign of abating. At week's end, the Indian army was on full alert in New Delhi after four Sikhs and three policemen were killed in a battle outside the capital's largest Sikh temple. Meanwhile, moderate Sikhs such as Ragbir Singh Arora—who condemn the sectarian fighting—wait in fear for the next round of Hindu reprisals.

—ANDREW READE with ERIC SEATON in New Delhi

ONE STEP AHEAD



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Raisa Gorbacheva, St. Laurent in Paris unprecedented display of consumerism

SOVIET UNION

High fashion in Moscow

It was a cultural confrontation glittering capitalist over-consumption against austere Communism, restraint but with as French fashion designer Yves St. Laurent unveiled a 50-year retrospective of his work to Moscow audiences. In a display of consumerism unprecedented in the Soviet Union, the presentation of St. Laurent's shimmering, seductive fashions elicited a speech of delight and disgust, praise and even one claim that the designer had stolen his ideas from a Russian. While many of the Soviets who thronged the Central Artists' Hall described the clothes as the lavish display as "artistic emotions" rather than wearing apparel, one very important viewer said that they were "timeless" works that any woman could wear. "Marvellous," added Raisa Gorbacheva, the fashion-conscious wife of Soviet leader Mikhail Gorbachev. Indeed, the exhibition was a clear illustration of her husband's revolutionary policy of glasnost—openness—opening the Soviet Union to new ideas.

Raisa Gorbacheva herself inspired the St. Laurent show. After a meeting in Paris in October, 1986, she invited St. Laurent to add Moscow and Leningrad to a world tour of his retrospective. In the past two years the display has been to Paris, New York and Peking. If the opening week's intense reactions, more than 300,000 people could see the show before it closes at the Hermitage Museum in Leningrad on March 14. For the 450 Soviets who lined up in frigid temperatures for the opening on Dec. 1 in Moscow's Dom Khudozhnikov exhibition hall, the collection of 180 St. Laurent originals was a fashion first capsule of three decades of haute couture. The display included such fashion relics as bell bottoms, guacho pants and pop art miniskirts from the 1960s. "I've never seen dressed anything like it," said Lyudmila, a 44-year-old chemist. But the 64-year-old woman added "Of course, it's only for looking and not to wear. It's like going to an art exhibit. Certainly there was nothing there for me."

The first 18 days of the show, which closes to Leningrad in mid-January, were sold out before the opening, but not everyone who paid \$2 a ticket for the two-hour fashion show enjoyed what they saw. "This is awful and so uncultured," said a middle-aged woman viewing an evening dress with resistively modest gold brocade. And one of those crowded around a colorful head-to-toe cocoon advertised as being "for the new bride" said jokingly that the designer must have visited Egypt to adapt the runway for a Russian winter.

Outside the contemporary concrete building across from Gorky Park that houses the display, two elderly women who described themselves as well-educated Russians were visibly angry. "There is nothing new in these," said one a bleached blonde wearing slacks and a tight blue and gold sweater. "This is bad, very bad. It has taken all the ideas of [Vladimir] Tatischev—a Russian artist, cartoonist and set designer of the early 1900s. In an interview with the Soviet news agency Tass, St. Laurent acknowledged that Russian literature, music, ballet and art had influenced him. He added "Russian ethnic clothing has always inspired me. What interests me is the simplicity of the cut—[poetist Leo] Tolstoy's wool, for example."

What was interest St. Laurent even more is a potential market of 250 million people. The designer said that he might follow in the footsteps of rival French designer Pierre Cardin, who is negotiating to open a boutique in Moscow by next summer. But Eugene-Alexandre Tartant, St. Laurent's adviser for foreign relations, added, "It is entirely up to the Soviet side."

With Gorbachev attempting to breathe new life into the stagnant Soviet economy, the Kremlin could well be receptive to two of the world's best fashion designers. The Western fashion industry provides valuable lessons in the incentive of profit and the power of supply and demand. Indeed, as St. Laurent's opening leading Soviet designer Raisa Zarnayev invited the Frenchman to his fashion house for a private showing. Set both St. Laurent and Cardin have been guarded about these plans for the Soviet market. And in French diplomat Moscow said of St. Laurent: "Mrs. Gorbacheva invited him to come and display his creations and he agreed. He is trying to show her that he is very eager, that he is an artist. But he is a very eager." Declared St. Laurent: "I think the Soviet Union is big enough for both Mr. Cardin and for me."

—CHRISTINE ANDERSON in Moscow

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PWA heats up the war

In the summer of 1986 bush pilot Russell Baker launched a tiny airline in Port St. James, B.C., a hamlet located on Stuart Lake, 800 km northwest of Vancouver. His first job was flying forest-patrol for the provincial government in war-surplus Cessna 440s. Unlike dozens of other humble ventures forced to supply remote northern communities located beyond rail or road, Baker's company flourished. It took the name Pacific Western Airlines (PWA) in 1988 and by the mid-1990s had become Canada's third-largest air carrier. Last week Calgary-based PWA soared to new heights by announcing the country's number 2 carrier, Canadian Pacific Air Lines Ltd. (CPAL) of Vancouver, has paid \$260 million cash and assumed CPAL's \$430-million debt. In doing so, the former bush operation took control of an airline that flies across the international date line, the equator and the Arctic circle. Moreover, the strategic move gives a strong western-based, privately owned alliance to compete against the eastern-based, government-owned Air Canada in the new era of airline deregulation (page 46).

For the time being, however, it will be business as usual for the travelling public. PWA and CPAL will continue to operate independently until senior executives conclude an examination of the companies' operating. CPAL's name will likely change, schedules will be re-allocated so passengers can transfer from one airline to the other and some routes will be restructured. The result will be a network of local, regional, national and international flights to compete against Air Canada's longstanding web of small airlines that feed into its system. Still, investment analysts contend that the immediate winner in the takeover announced last week is CPAL's Montreal-based parent, Canadian Pacific Ltd., a \$2-billion transportation, resource and manufacturing conglomerate. It has disposed of a potential money loss-

er as part of a corporate restructuring aimed at improving returns to shareholders.

PWA has emerged as a major airline after four decades in which it rarely strayed from its base in Western Can-



Core efficiency and a musclesh return on their back

ada. The company had acquired several small B.C. airlines, added scheduled services and grown to 600 employees by the time founder Baker died in 1958. Four years later Pacific Western launched its Edmonton-Calgary service on what remains one of Canada's most heavily travelled routes.

The company has scored a number of controversies, particularly after Alberta Premier Peter Lougheed's Conservative government acquired 89.8 per cent of the shares for \$36 million in August, 1974. Ottawa immediately

challenged Alberta's right to own an airline and the battle eventually went to the Supreme Court of Canada, where Alberta's position was upheld. But the era of public ownership ended for the airline in December, 1988, when the Lougheed government, which had always been uncomfortable with state-owned enterprises, sold 95 per cent of the company to the public through a share offering. To protect a takeover by eastern or more distant interests, the terms of sale stipulated that no individual or group could own more than four per cent of the stock.

For the past 12 years Vancouver native Rhyia Eyles, 51, has run PWA. A chartered accountant, the married but demanding Eyles rose through the financial side of the airline to become the first company president and chief executive officer not to hold a pilot's licence. Under his leadership, PWA has made a profit every year since 1983, while Western Canada's economy was reeling by recession and airlines across the country lost millions of dollars. Eyles has vigorously cut costs, salary and fuel costs, which together represented more than 50 per cent of annual operating expenses. PWA now employs 2,700 people, down from 4,000 in 1981. Eyles also kept the airline running hot water during a bitter British Columbia strike by 1,800 unionized workers.

Last summer Eyles raised cash for future acquisitions by selling and leasing back a number of aircraft, and flew aircraft to New York-based Embraer for \$30 million and another 11 to a British syndicate led by Walland Bank plc (UK) for \$145 million. The aircraft will be turned over to GVA Group Ltd. of Shannon, Ireland, between 1990 and 1995, but PWA has leased them back from the bank for less than \$1 million. The company ended up with \$255 million in cash, which it pooled with its own cash reserves of about \$180 million to finance

its surprise takeover last week.

Meanwhile, CPAL had already begun to unload some of its profitable companies in its portfolio this year. In 1985 CP profits plummeted to \$246.7 million from \$375.9 million the year before. And with the depressed trend continuing this year, CP sold its 52.6-per-cent interest in Canadian Ltd., a print and publishing, for \$472 million in September. Next on the block was CPAL, created in 1982 through the acquisition of 10 small Canadian airlines.

The airline lost a total of \$87 million between 1981 and 1983, and the losses are expected to continue this year. Since 1981 the company has had only one

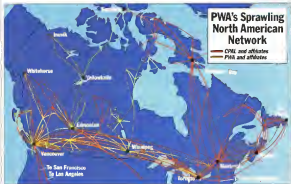
In April, 1984, CPAL paid \$35 million for Eastern Provincial Airways, which flew to 85 cities in Atlantic Canada, as well as Toronto and Montreal. Then, late last year the airline acquired 65 per cent of Montreal-based Nordair Ltd. and its extensive network in Ontario and Quebec.

The impact of PWA's takeover at CPAL will not be apparent for several months. Senior executives of both companies met in Vancouver on Dec. 3 to begin reviewing their operations. The alliance will give the airlines a combined fleet of 92 aircraft flying to 83 communities in Canada. As well, both companies either own or have agree-

ed a reasonable return on their back.

At the end of 1985 Air Canada had a fleet of 112 aircraft, and the company flew to 41 North American cities as well as to 25 in Europe, the Caribbean and the Far East. Domestically, Air Canada has also been aggressively buying small domestic carriers to act as feeders. Since May, 1986, it has acquired Air Nova, a Newfoundland-based company, Astra Airways Ltd. and Air Ontario, both based in Ontario, and Air TC, which had previously supplied PWA with passengers.

Now, Air Canada is attempting to add six Quebec carriers to its feeder network by negotiating co-ordi-



profitable year—1984, when it earned \$4.4 million. Harold Weiler, an analyst with NewStrat Thompson in Toronto, said that CPAL was losing money because of its heavy debt load—\$65 million, for which the airline paid about \$60 million annually in interest charges—a lack of a coherent market strategy and frequent management changes.

The airline still serves several small, remote communities in northern British Columbia and Alberta—a reflection of the company's early activities but CPAL is a major international carrier as well, flying to 16 cities in the United States, Europe, Asia, Australia and South America. During the past several years the airline has also acquired regional carriers in Eastern Canada in order to extend its domestic route structure.

ments with local carriers, whose routes provide passengers from small communities.

Despite their extensive route networks, there is very little duplication, company officials say. PWA corporate spokesman Jack Lawless said that the two airlines will co-ordinate their routes, schedules and marketing. PWA will remain a short- to medium-haul carrier, Lawless said, while CPAL will retain the long-haul, transcontinental and international routes. In any case, he added, the alliance will create the strongest and most extensive domestic competition that the larger Air Canada has ever had to face. David Carl, president and chief executive officer David Corp of the takeover. "With a little more efficiency that we can get out of the two airlines, they can

nated schedules. Air Canada spokesman Rick Stewart said that the alliance was the key to competing against PWA-CPAL. Indeed, a former CP executive said that CP officials were particularly discouraged by the Air TC and Astra Airways purchases, because they undermined the unequal battle that the airline had been waging with Air Canada. Said a former executive, who asked not to be named, "Air Canada has a deeper purse, in the form of the public treasury." However, industry analysts contend that PWA has one formidable resource when it goes head-to-head with Air Canada: a financial management team, led by Eyles, which is second to none.

—FRANCY JENNIFER with JOHN HOFFMAN in Calgary and PHILIP WALLACE in Montreal



Travelers of Toronto's Pearson airport, preparing for disruption protests.

A high-flying deal

Costaline Muesen, assistant manager of the Holiday Inn in Prince George, B.C., plans to fly to Vancouver three times in 1987. Before last week's takeover of Canadian Pacific Air Lines Ltd. (CPAL) by Pacific Western Airlines Ltd. (PWAL), the two airlines would have battled for his business by discounting the cost of the regular \$889 return fare. But Muesen says that PWAL's move could eliminate one of the competing carriers from the one-hour six-day round-trip service he plans to put out. Although PWAL officials said that the two airlines would continue to operate independently, PWAL spokesman Jack Lawless said, "Some markets are big enough for both carriers. [But] on some of the smaller stations we have to look at how an airline economy."

The fiasco of two of the airline's four largest air carriers was the most noticeable in a wave of mergers and acquisitions in the industry as it prepares for full deregulation under Ottawa's proposed national transportation act. The aim of the bill, which is now awaiting second reading in the Commons, is to cut air fares by eliminating many of the restrictions that keep new operators out of the market. The new regulations would also let carriers set their own rates and routes. But consumer advocates are concerned that the government, which has already cut some regulatory controls, is allowing

the industry to erect significant obstacles to competition. Indeed, the Canadian Transport Commission, they point out, has approved an significant airline takeovers in the past year. And such critics as David McQuinn, director of the regulated industry program for the Ottawa-based Consumers' Association of Canada, say that takeovers weaken competition instead of increasing it.

The attempt to deregulate Canadian air travel is partly a response to a 1983 Gallup poll which found that 15 per cent of Canadians travelling outside the country looked flight from U.S. cities, where they took advantage of cheaper, deregulated air fares. As well, former minister of transport Lloyd Axworthy concluded in 1984 that the cost of the huge bureaucracy needed to regulate air travel was too high. One proposal in the bill, for example, would eliminate the need for a prospective carrier to appear before an inquiry to prove that his targeted routes are economically sound. Instead, the company simply has to prove that its airline is safe and adequately insured.

Many Canadians have already had a taste of competitive pricing. Since May, 1984, when the federal government relaxed restrictions on local commuter airlines, a number of small carriers have formed to undercut existing ticket prices. City Express Airlines, for one, operating 31 and 60-seat planes

from Toronto's small Island Airport, flies Ottawa-Toronto passengers one way for \$59, compared with Air Canada's \$113.

Still, many Canadian airline officials say that passengers are better served by a few major operators than by scores of small carriers. Following deregulation in the United States, new operators overwhelmed already crowded routes and forced more inefficient operations into bankruptcy. Some companies, struggling to stay solvent, have been accused of cutting costs at the expense of safety. Rod Keith Zinger, a spokesman for the 30,000-member Airline Pilots Association, says pilots tell us that the margin of safety has narrowed since deregulation.

Travelers in Canada, now served by two dominant domestic carriers, and aggressive Canadian International Ltd., a flight charter airline that launched scheduled service in Canada last spring, may avoid the problems that occurred in the United States. But they may also miss the dramatic discounts available to passengers in the United States, who can choose from a number of small competing operators. University of British Columbia economist Michael Trethewey predicts that prices will not fall below the current schedule of discount fares. Canadian passengers, he said, will save no more than \$26 million to \$300 million a year in fares and other costs, compared with the \$6.2 billion that deregulation has meant in savings in the United States.

Still, Trethewey said there could be some positive results from the PWAL takeover because it has created the first domestic airline big enough to challenge Air Canada. Added Trethewey, "Canadian consumers are better served by having two big healthy competitors, rather than one that is healthy against two or three weaker competitors." Declined federal Minister of Transport John Crosbie: "It will mean that we have two or three larger airlines that are all able to compete more effectively with one another." But any advantage to consumers depends on real competition, said Trethewey, there is no guarantee that it will occur. He added, "My concern about the two remaining airlines, PWAL and Air Canada, is that they might divide up the market between themselves." In that case, the benefits of deregulation could be lost to the travelling public.

—ANN WOLFRUM with WILLIAM LUTHERTON in Washington and MICHAEL BARR in Ottawa

New openings for banks

The storm had been gathering momentum for years. And last week it finally erupted when Ontario's minister of financial institutions, Monte Kwinter, announced that the province would allow foreign investors and financial institutions free access to its highly protected securities industry. Under the proposed regulation, Canadian banks, insurance and financial companies could own 100 per cent of any independent dealer in Ontario, starting on June 30. Foreigners will be allowed to increase their stakes in any Ontario-based securities firm to 50 per cent from 10 per cent at the same time, and to 100 per cent on June 30, 1988.

The minister portrayed Ontario's decision to throw the doors to its securities industry wide open as the province's response to the growing internationalization of the world's money markets. However, some provincial government officials and industry spokesmen, who wish to remain anonymous, told *The Star*'s that Ontario was allowing the federally regulated banks unlimited entry into the lucrative brokerage industry. As well, industry officials said that they believe the federal government appears to be moving toward creating a national securities commission, which would usurp Ontario's jurisdiction as the industry regulator. Rod Kwinter's executive assistant, Kenneth Rosenberger, "Ontario has no plans to abdicate any of its jurisdiction in securities regulation."

Indeed, Kwinter's ministry consulted with federal government officials and with representatives of the province's investment dealers before announcing the new regulations. The first meeting, between Kwinter and his federal counterpart, Thomas Hicks, minister of state for financial institutions, took place in Toronto on Nov. 11. There, lawyers said, Hicks informed Kwinter that Ontario planned to amend the Federal Bank Act to allow financial institutions the right to own 100 per cent of a securities firm. Until then, the province had said that it was prepared to offer the



Kwinter: a revolution in Canadian investment dealings.

banks a maximum 30-per-cent stake.

Two weeks later, at another meeting, a provincial government securities regulator informed investment dealers of Ontario's plans. Only a year ago the cobby Ontario securities industry had

been adamantly opposed to opening up its business to others. But in recent months much of the world's capital market has been deregulated and national barriers dismantled.

In anticipation of that, representatives from the securities industry and the provincial government have been meeting to strike ways of opening up the industry without forfeiting control to the powerful banks and to non-Canadians. The securities dealers had said that they welcomed limited, not total, ownership by foreigners and financial institutions because that would increase their capital bases and help them to compete with large U.S. and Japanese firms. But William Wynant, chairman of Vancouver-based investment dealer Pemberton Securities Wiloughby Inc., declared, "I don't think the industry is necessarily thrilled with the result it got."

Ontario's new regulations were also partly a defense against Ottawa's plans to designate Montreal and Vancouver as international banking centres, which threaten to erode Toronto's pre-eminent role in the field. Now, the big banks are poised to move in quickly on the Toronto-based securities industry.

—THELMA TERESIO in Toronto

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A banker lashes out at takeovers

By Peter C. Newman

With more than \$400 billion in assets and a stronghold on the nation's private credit facilities, Canada's big six chartered banks should be the last source of criticism of the current tidal wave of takeovers. But in a recent conversation with Bank of Montreal chairman William McLeod, I found him to have surprisingly strong views on that and other subjects.

Takeovers: Who has put up a new factory, brought in a new mine, put up a new pulp mill in the past five or 10 years? I can count them on my fingers. It's sick. The world's monetary system is flooded with liquidity, but it isn't being productively employed the way it used to be. People are finding it's cheaper making money with money than to make better goods or new products, or bring in new resources.

Sooner or later that's going to cost a very, very serious toll. It's a sorry, it really is sorry. You have fewer and fewer market forces involved in decision-making. The market does not only have buy and sell dimensions. It is also a great judgemental machine, and if that represents an amalgam of thousands of individual judgments, it can in a way be quite democratic. ... we are now more vulnerable to bad judgment, dishonesty, conflicts of interest and all that.

This wave of takeovers without productive investment is wrong, just wrong. One of the other bank chairmen and I went to Ottawa recently and told the governor of the Bank of Canada that Ottawa may have made money on paper but it has not made it serious. Even when rates were 10 per cent, there was no difficulty raising money. You don't kill speculative investment with high interest, and far from discouraging takeovers, you encourage them, because it is cheaper to buy something that exists instead of trying to create it. So you don't create better mousetraps and you certainly don't create more jobs.

Intuition: We need a more fundamental policy than just pumping money into the economy through the tax system and attempting to control it through monetary policy measures. All you really prove is that you can create a recession with a tight monetary policy, which we already knew. You knock off a lot of interest victims along the way—mostly small-businesses who have borrowed some

money, and not the guys who caused the problem. Anybody in my kind of business should be thinking about these things.

Political stability: There is an enormous volatility in people's attitudes toward governments and elections. An economic stability, depression, extreme political solutions become more appealing. That's what happened in Germany. It's a formless sort of thing, it's people's visceral feelings that someone



Montreal's "old and scary" man

or other those who make money from corporate concentrations have pulled take advantage of loopholes or something—that they have made a lot of money but didn't earn it, didn't work for it, didn't build businesses, didn't contribute to society.

The social contract: As people who really work for a living are this enormous machine churning out money for speculators, they get totally ahead of the system, they emotionally drop out of the system—and when that

happens you have big problems. Instead of a great mass of basically cautious people essentially trying to protect the system, they decide to sell it out and say, "To hell with it, what has it done for me?" There is no popular support for people making a financial killing; this didn't earn it assets of thinking. That's why corporate concentration is so dangerous.

The Establishment: You put the country under intense economic pressure, which it is, and personal relationships become more and more expensive in terms of their performance burden. I mean, if you're screwing up, it isn't enough that you may be an old pal of mine. We don't have the margin for error and indifference we once had. Recruiting and selection processes cost a 30-year shadow, so you can't just look out for old friends.

Banks becoming brokers: We should be allowed to buy an investment dealer's stock and barrel or set up one of our own. But I would prefer not to use customers, but instead put the operation into a subsidiary, separately devoted. I simply accept the fact that it's a different environment with different kinds of people, motivations and reward systems.

International centres: I find it very difficult to believe the banking centres proposed for Vancouver and Montreal will create incremental values in terms of more jobs. What would really concern me most is if they just become another tax preference, another dimension of public revenues.

Free trade: The concept is the right track, but 90 per cent is in its execution—it all depends on what's actually in the free trade agreement between Canada and the United States. It just isn't good for any society to sit within a protected environment and stay small, uncompetitive and smaller. We should support the effort to negotiate a good deal, but if we can't get a really good deal, we shouldn't sign any.

Competition: I don't worry as much about competition (to banks) as I used to. There is a lot of business we would be better off without. If we really were a decent about market share, we would just go out and cut prices and take it back, because we're so liquid in this bank we wouldn't have to raise a nickel to do it. But we'd have to cut standards, and we're just not willing to do that. I'd rather be a good bank than a big bank.... and I'm not a red banker either.



DISTINCTIVELY COINTREAU.

The distinctive orange taste in the distinctive cubic bottle is enjoyed throughout the four corners of the world—straight, on the rocks, with a spritz or in cocktails.



WARFARE IN TOYLAND

COVER

Bang! Bang! You're dead!

A dolls do not always delight in the sound of play, especially when children are dueling with plastic models of Soviet assault rifles or Israeli submachine-guns. But children are usually astounded by the adult debate over the availability of war toys—they prize more upset when an opponent refuses to fall down as the path of an imaginary bullet in the line of attack bends. This holiday season, modern technology has devised an answer in the game Laser Tag, special "Star-Lite Energy Units" are a beam of infrared light—and after one hits, a sensor wrapped in the chest of an opponent emits the whooping sound of a police siren. There is no "Bang! Bang!" but there is no argument.

Snapp Executives at Worlds of Wonder Inc., the California firm that began developing Laser Tag 18 months ago, gambled that the electronic toy weapons would become a commercial success in the holiday season. And apparently they have. Their concerns about war toys, the company has sold about one million of its basic kits, which cost about \$80. Electronic caps and vests are sold separately. Last week customers at New York City's famous F.A.O. Schwarz toy store snapped up 70 boxes of Laser Tag in 16 minutes, and retailers across the United States and Canada report that the item is selling well. Clearly, Laser Tag is one of the year's hottest toy fads.

It is also a cashbox story of success in the cathartic, volatile toy business of the 1980s. Like the legions of talking

plush toys now crowding the shelves of toy stores, Laser Tag demonstrates how new technology can dramatically transform old ideas. The toy also receives heavy promotion through its own half-hour cartoon show, *Laser Tag Academy*, which has been appearing on NBC

more important to Laser Tag's success are the concerns of violence—a feature with an apparently timeless appeal. Declared Dr. Thomas Doherty, research director of the Illinois-based National Coalition on Television Violence: "These toys take pre-

dominantly in department store sections that opened each October and closed after New Year's. Now they are sold year-round in giant suburban chain stores offering a staggering variety of merchandise (page 60). At the same time, children's television programming has blurred the distinction between the shows themselves and their advertising—which in itself now costs the U.S. and Canadian toy industries \$50 million annually. Never before has the barrage of attracting the young been more sophisticated or successful.

Charm Few companies complicate the new age of toys better than Fremont, Calif.'s World of Wonders, established in 1984. All the company's toys are high-tech productions, but not all are warlike. Indeed, now's original product is an expensive (about \$65) little bear named Teddy Ruxpin. He owes much of his charm to a computer chip coupled with a tiny cassette recorder, equipment which makes him move his eyes, nose and mouth while he tells a story. Last year Teddy Ruxpin generated \$13.8 million in profits for the company, and the bear is still selling briskly across the continent, despite the emergence of dozens of imitators. Ruxpin is the top industry's "electronic plush" category.

After only 28 months in existence, Teddy Ruxpin is a relative greybeard in the toy business, where fads can quickly become fops. Only two years ago Cabbage Patch dolls were the dominating force in low-cost, commercial-based Calico Industries Inc. derived three-quarters of its 1985 income from Cabbage Patch dolls. But this year there was no promotion of the barely

suggestive in the full-figure doll dominated by marketing giant Toys "R" Us—an almost certain sign of obsolescence. Even Mattel Inc.'s venerable Barbie doll, now 27 years old and still one of Canada's best-selling toys, has been forced to migrate in the face of a challenge mounted by Hasbro Inc. Its trendy Jen is a rock singer doll whose accompanying cassette tape describes her as "truly outrageous, truly, truly, truly outrageous." (Some parents agree encountering Jen is a department store, property manager Patrick Kennedy of Haddon's declared, "Great, now they're teaching kids how to look like rockers.")

In response, Mattel's Barbie, a basic, 11½-in.-tall exemplar of contemporary consumption, has become a rock star. She now has her own four-minute band, the Rockers—which are also available. And Toronto-based Mattel Canada Inc. sent a few versions of the band—with a Barbie look-alike lead singer—on a tour of 45 shopping malls

Cathy off store shelves. Did Bernard Loomis, a former Mattel president who helped develop the link between toys and TV advertising? "When Chatty Cathy said 'I love you,' the world responded."

Loomis and others at Mattel introduced television marketing in 1989 by creating a half-hour ABC TV show to promote the firm's Hot Wheels line of toy cars. By marketing that at least part of the show be classified as advertising, the U.S. Federal Communications Commission (which obviously forced it off the air. But 11 years later Loomis, who by then was head of General Mills TV Group, struck pay dirt again. He oversaw the hour-long syndicated special *Welcome to the World of Strawberry Shortcake*, and successfully launched a new line of dolls. And the FCC decided not to interfere.

Money Now, there are at least 20 shows on U.S. television that are sponsored and controlled directly by toy companies. "It is an absolutely horrible situation," declared Peggy Chermak, president of the Boston-based consumer group Action for Children's Television. "There is no discrimination between editorial and commercial speech. At the same time, these toy programs are doing away with all the other shows that should be an children's television."

Wages Still, it is television advertising that Mattel relies on most heavily to keep well-dressed Barbie at the top of the toy togs. The company has spent \$1 million so far on Canadian TV ads this year alone. Mattel said that it sells in 1986 with its trend-setting Chatty Cathy. It was the world's first successful talking doll—capable of delivering 11 cutesy phrases—and one of the first toys to be advertised on national television. The result: U.S. and Canadian consumers swept Chatty

more than 30 million for what has happened. The people he has appointed say quite openly that they think television is like a toaster with pictures and there should be no regulation. In Canada, advertising aimed at children is subject to much stricter controls. Canadian advertisers adhere to a 15-year-old agreement that is endorsed by the Canadian Radio-television and Telecommunications Commission. Among other things, the code prohibits advertisers from exaggerating a toy's use, insisting it to rival products or using celebrities to endorse products. The agreement also states "Advertising must not imply that possession



Hasbro Canada president Sherron Klein, posed with toys using technology to transform old games.

on Saturday mornings since Sept. 13. That link confirms a current theory of merchandising that is seldom to be penetrated: the same market is a sugar war without a television show of its own.

The shows are, in effect, animated advertisements. But perhaps even

killing one step closer to reality."

Game But updating age-old war games is only one aspect of a multi-billion dollar business. Toys are now a \$13.8-billion industry in Canada and a \$16-billion industry in the United States, up from \$9 billion just six years ago. No longer are toys sold pre-



across the country this fall. Coupled with a Barbie rock video and a record by the matriarch, the promotion cost Mattel an estimated \$600,000.

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or use of a product makes the child's supervisor or that without it the child will be open to abduction or kidnapping." Susan Burke, director of the standards division of the Canadian Advertising Foundation, the industry-financed group that administers the code, said that the usual requires 90 per cent of the U.S.-made advertisements. It is asked to approve. Declared Burke, "We don't like to think of it as censorship, but in a way that is exactly what it is."

The assumption that children are much more impressionable than adults and less able to discern truth is shared by many consumer advocates, parents and children's rights activists. Declared Bruce Ward, executive director of the

up in the past six years. Said anti-violence activist Baskin: "There has never been a time when a nation's children have been subjected to such a massive promotion of sadistic and intensely violent material."

Action: One figure exemplifying militarism is toyed in Hasbro's G.I. Joe. The company introduced it in 1964 as one of the first dolls for boys—although industry representatives prefer to call them "action figures." Now, according to the Canadian trade journal *Toy and Games*, the doll is the best-selling toy in Canada. But G.I. Joe's sales figures slumped during the 1980s, a period marked by controversy over U.S. involvement in Vietnam, and the

most controversial, a Rambo movie called *Nomads*, was killed in action last week when protests from U.S. and Canadian Jewish groups forced the company to withdraw the line from production. A so-called biography which came with the toy described Nomad, who wore an Arab headdress, as "a treacherous desert warrior whose only family is a wandering band of outcasts and thieves. They are not meant to honor who carry out terrorist assaults on innocent villages." James Kufek, president of the Toronto-based Canadian Arab Population, said that the Nomad figure provided "a graphic illustration of the prejudice against Arabs."

Many psychologists say that there is

of distinguishing real violence from play violence early in life. He said that parents are far more likely to restrict the toy, and as a result allow suggest play-fighting. According to the psychologist, that "differentiation of children" makes them more obedient but less vital and spontaneous. He added, "We have an old tradition in society that in early childhood kids should be able to play freely most of the time and that they learn and grow best that way."

Secret: The marketplace struggle between Coleco's Rambo and Hasbro's G.I. Joe reflects the cut and thrust of the industry itself. It is shown in the tight secrecy at Mattel's headquarters in the Los Angeles beach-front suburb of

play, G.I. Joe, but the company that best exemplifies the strategy in Denmark's LEGO, A.S., the Danish-run building-block maker.

Trends: After Goldfink Kirk Christensen invented the Lego brick in 1949, the company abandoned all other projects to concentrate exclusively on its development. Now, the company employs 5,000 people at its Billund headquarters and at 44 subsidiaries around the world. Dedicated firm spokesman Jeanne Hopfman, "We are a one-product company and we are always looking for new ways to use that product." To that end, Lego's current best-selling kits, *Walden Astro-Graffiti* and *After Moon Shoot*, are in keeping with the latest high-tech

lens was named from disaster by the spectacular success of the Chicago Field club, which received \$25 million in revenue in the end of 1985. Now, as Chicago Patch ends its bid, Coleco is trying to diversify through acquisition of other toy companies, including the Seidman & Rappaport Co., manufacturer of the popular *Barbie* dolls. However, not many industry analysts remain skeptical of the company's prospects for success. Said Paul Valentine, toy analyst with the Standard & Poor's financial assessment firm in New York: "Coleco has made major blunders."

Still, other companies also suffered setbacks with electronic toys. Said Mattel's Bass: "We took a horrible loss when that market took a nosedive." Valentine and other analysts say that these experiences have made the big toy companies cautious, preferring to let such smaller firms as World of Wonder establish new trends. Said Valentine: "The problem with the industry is that it is trying to play conservative. [The companies] are all going to be left out in the cold."

Pioneers: Indeed, 80's's Teddy Bear and his talking colleagues are simply the vanguard of a high-tech army of toys. And the next influx could arrive as early as next year, when the Shima Valley firm Asia Inc. introduces *Techno*, a line of remote-controlled robot tanks. Also founder Nolan Bushnell is a video game pioneer and former president of Atari. He currently produces a Russian competitor called A.G. Bear as well as a line of electronic cats called *Peppers*.

Bushnell has predicted that by the year 2000 half of all pets in the United States will be electronic—"home kind of computer with a wet nose and fur." Not far the near future he is concentrating his efforts on *Techno*, which, like many new toys, will have its own television show. The difference is that the show's sound track will be modulated with special signals capable of directing the movement of *Techno*'s armor armor. "Think of it! Not only will these toys battle each other but they will also battle the figures as the television program. It's a very big step in the wrong direction!" As a war game that takes its orders directly from a television set, *Techno*'s teddy bear bodies what some parents consider to be all the seductive aspects of modern toys. As a result, it could prove to be a monster hit with the current generation of toy-loving children.

—JENNY BARBER with SHARON DOUGLAS
DOUGLAS and THOMAS LARSEN in Toronto
BARBARA WADDE ROSE in Los Angeles and co-
respondent reports



Hasbro figures (from Coleco), action-dolls (right) new toys, and extensive advertising in a violent, cultural industry

Ottawa-based Canadian Council on Children and Youth. "Adults are able to make a rational, responsible and reasonable choice on a consumer. What seven-year-old can?"

Violence: That opinion is contradicted by other experts. Brian Sutton-Smith, for one, a University of Pennsylvania educational psychologist and author of the 1986 book *Toys as Culture*, says that children are no more susceptible to tv ads than adults are. Said Sutton-Smith: "We don't pay enough attention to the child as consumer." Still, many parents express concern over the proliferation of war toys. Although guns and toy soldiers have been staples of the toy box for generations, some observers say that along with violent television programs, the toy arena now has spawned

company stopped producing the toy in 1978. Five years later, however, G.I. Joe returned as one of a band of 22 adventures. Each one had separate combat gear which could be bought independently, a marketing technique modeled on Mattel's Barbie line. But instead of Barbie's Dream House and clean-cut companions like her friend Ken, G.I. Joe's all-arms include deep-sea and spacefaring—and such companions as Sgt. Slaughter. He occupies a fortress known as the Cobra Terror House (1988 at Toys "R" Us). The result: since its introduction, the G.I. Joe family has generated \$790 million in revenue for Hasbro.

But G.I. Joe is almost double compared to the weapon-laden line of Rambo dolls marketed by Coleco Inc.

no clear link between these toys and violent behavior. "There is no doubt that children become more aggressive when they are playing with war toys," said Jeffrey Derevensky, a McGill University psychologist who has worked as a consultant for toy manufacturer Fisher-Price Canada. Added Derevensky: "The opinion that everybody sells is, does that make the children more aggressive in the long term? Nobody knows for sure." Indeed, Derevensky said that he believes the ultimate effect of playing with the toys is often determined by how much aggression permits them their children to carry over into real life.

For his part, Sutton-Smith said that he is convinced war toys are largely harmless because children are capable

of distinguishing them, surveillance cameras and plastic identification cards for vehicles and staff indicate some of the steps taken to protect highly secret new product lines. Mattel alone generates over \$1 billion each year, netting 17,500 workers at 18 plants around the world. And the 2,500 head-office employees include 400 engineers and designers. Company vice-president Spencer Bates said that their role is to provide the answers to the most important question in the industry: "What's new this year?"

Nevertheless, the answer arrived at by Mattel and the other toy giants is the same: show your everything and nothing is new. The best example is the *Transformers*, who have proved to be durable largely because "Cole has never looked the same way twice," according to Mattel spokesman Candace Irving. Hasbro follows the same strategy with its main-

trends. The company introduces between 50 and 60 new kits of blocks each year, but it adheres to a simple system: each plastic block produced is designed to snap into any other one with the same ratcheting click.

Future: All the same time, *Intertec* executives take pride in avoiding *Techno*. Said company representative Peter Ann-Baker: "We do not want to sell big items. We want steady growth. And since it began marketing Legos, the company has experienced a 18- to 15-per-cent expansion of sales volume each year."

For its part, Coleco frets because widely known through its hand-held electronic games during the late 1970s. The when that market collapsed in the early 1980s it turned to home computers—its Adam model was a major failure dating from its introduction in 1983. Then Co-



BIG STORES, BIGGER SALES

COVER

It is a commercial variation of a child's garden of delights, toys strewn into the distance. Customers push shopping carts up and down aisles jammed with dolls and puzzles, rattles and plastic submachine guns. Dozens of employees dressed in orange-and-white striped jackets busily restock the beige metal shelves or tend up to 20 cash registers. The 13 giant Toys "R" Us stores in Ontario and Quebec have no Christmas window

displays and no Santa Claus, where children can perch on a velvet-clad knee and receive their gift requests. They just have toys—18,400 different kinds of them in a 45,000-square-foot warehouse-like setting run like a huge supermarket. And for first-time customers, the 30-person construction project manager Elgin Ardum and his wife, Rose, a trip to Toys "R" Us can be an amusing sight.

Declared Ardum, shopping at a Toronto outlet last week: "I have never seen so many toys in one spot. If I were a kid, I'd go crazy in here."

Format: The sheer volume of toys is bewildering at first, but the toy supermarket format is proving to be extremely popular with consumers. And the appeal is not limited to the Christmas season, which traditionally accounted for as much as 75 per cent of toy sales. Now, Toys "R" Us and another chain, 32-store Toy City, owned by Toronto-based Consumers Distributing Co. Ltd., stock a huge variety of toys year-round. As a result, Sheldon Klein, president of Montreal-based toy manufacturer Hasbro Canada Inc., they "are changing the retailing of toys into a 12-month-a-year business"—Christmas retail sales are now roughly 80 per cent of Has-

bros's volume. And in the process, the toy supermarkets are threatening the sales and profits of retailers who stock their toy inventory only at Christmas.

Advantages: Still, the toy supermarkets are simply using techniques pioneered by giant retail outlets that offer wide selections of clothing, furniture or appliances. Toy supermarkets have been popular in the United States for 10 years, but only one Canadian firm—

based in the United States, and last year 15 per cent of the money U.S. consumers spent on toys—\$3.8 billion—went into cash registers at the 271 Toys "R" Us stores. Toys "R" Us has nine stores in Ontario and four in Quebec. But company officials refused to reveal its share of the Canadian toy market.

The president of Toronto-based Toys "R" Us Canada Ltd. is Elliott Wahl, 35, a former personnel manager for the Toronto Blue Jays. The company's strategy, says Wahl, is "to always have the largest selection of toys in the country."

And according to one Canadian toy company executive who requested anonymity, Toys "R" Us "is a far more aggressive retailer than Toy City."

Spots: But clearly, for both companies, size provides an important competitive advantage. By contrast, the large department and chain stores—where Canadian toy manufacturers sell most of their toys—can only carry part of such manufacturers' toy lines because they have limited shelf space even at Christmas. But Toys "R" Us and Toy City at best order—and display—almost everything offered by the major toy manufacturers, says Wahl. "Retailers traditionally expanded their toy departments in October and planned to have empty shelves after Christ-

mas. And toy manufacturers planned to have empty warehouses. But if we have empty shelves on Jan. 1, we are in trouble."

Because the giant toy retailers buy from manufacturers in huge quantities, they enjoy a powerful advantage in securing enough stock—particularly of fast-selling items that are in short supply. "We are quite aggressive," says Wahl. He added, "We are not above

pulling and squeezing at our suppliers" in order to get enough of a hot-selling toy. But the other retailers are fighting back. To counter the top supermarket order selection of merchandise, they are attempting to attract customers by cutting prices on selected items. "There is a price war

here." In one bid to draw customers, Canadian Tire stores in Toronto are selling World of Wonder's popular Teddy Ruxpin for \$88.98, 36 below the Toys "R" Us price.

Competition: Many retailers have also acknowledged the effect of the toy supermarkets by increasing their

But, he added, the major reason was that "toy sales have been anemic. People are buying more toys."

For their part, executives of the toy supermarkets say that although their prices are competitive, they do not try to undercut other retailers. Instead, spokesmen for both Toys "R" Us and Toy City say that they are attempting to build a base of loyal customers who will return repeatedly because of the large selection of toys that they stock.

Added Denis Donnelly, a retired sales clerk who visited a Toys "R" Us store in Toronto last week to look for gifts for her grandchildren: "It has quite a lot more toys than you would find at a department store. And everything is organized." As well, both stores say that they attract customers by offering new toys before other retailers do. Canadian toy companies, most of which are subsidiaries of U.S. firms, traditionally waited until new toys had been tested on the U.S. market before introducing them in Canada, usually for the following Christmas. But because the toy supermarkets display their products year-round, said Sheldon's Klein, "we now test new toys on the Canadian market sooner," often the same year.

To keep the shelves full, Toys "R" Us uses a computerized inventory system that traces sales on a daily basis. Clerks track each item from the warehouse to a store, and if an outlet is running out of a toy, the computer notes that. Then warehouse personnel quickly dispatch a new shipment—without the store manager having to request replacements. Says Wahl: "The worst thing that can happen is to be out of stock on an item."

Downside: As the critical Christmas sales period reaches its peak, some experts predict that the toy supermarkets' competitors will have to become much more efficient by either or leave the business altogether. Reid Maureen Farrow, a partner with Coopers & Lybrand Consulting Group in Toronto. "The department stores used to expand their toy sections on a willy-nilly, ad-hoc basis, and they used to the shop. But now they are up against retailers who sell toys all year long, and who are better organized." That competition will intensify as Toys "R" Us and Toy City continue to add more and more stores. And consumers will continue to find the same range of toys both during—and after—the holiday season.

adding Red Rose Archival, specializing at the variety available at Toys "R" Us. "You come in here and you tend to get carried away because there are so many things." And that is the response that worries the cash registers of the successful new toy supermarkets.

—MICHAEL SAGNER with MING CHEN-CHIAO in Toronto



Wahl: "Our strategy is always to have the largest selection of toys."

Toy City. It had adopted the concept. The first Toy City store opened in Ottawa in 1979. Now, the chain has stores—with an average of 20,000 square feet of floor space—in 11 centres from Vancouver to Quebec City. New Jersey-based Toys "R" Us expanded into Canada in 1984, creating a heated competition with Toy City and providing sharply increased competition for other retailers. It was already well estab-

lished in the United States, and last year 15 per cent of the money U.S. consumers spent on toys—\$3.8 billion—went into cash registers at the 271 Toys "R" Us stores. Toys "R" Us has nine stores in Ontario and four in Quebec. But company officials refused to reveal its share of the Canadian toy market.

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Toys "R" Us added a threat to toy retailers who expand only at Christmas.

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SPELLBINDING GIFTS TO LAST

COVER

There is always a risk involved in giving children books for Christmas. The young recipients may declare firmly that they would rather have toys. Still, a good book—a really good book—can capture successfully for a child's attention against the lusher charms of a much larger toy or the latest videogame doll. This year there is a multitude of spellbinding books for young people. And for children who insist that the only interesting present is one that runs on batteries, there is even a compromise: advance books on tape cassette.

The best books for children who cannot yet read are ones that invite them to decide what is on the page. The detailed, gorgeously hued illustrations of Japanese-born Haruki Aiso, cousin of Canadian author Tochi Tsuruta, in *The Park* (Tundra, \$17.95), is a signal to his award-winning *Who Goes to the Park*. Aiso has shyly reimagined groups of children evading the attractions of Vancouver's Stanley Park. On one page they leap alongside leafy oaks in the Agnes Denison, in the next, they arrive at the Haida masks in a turreted gate for rest. The text is playful, and while reading aloud will welcome its brevity.

Another enchanting read-aloud choice is *Have You Seen Birds?* (North Wind Press, \$13.95). Accompanying Joanne Oppenheim's bright, "fuzzy" text are Barbara Brink's richly textured illustrations modelled in Plastocene. Junior artists will be intrigued by the details, such as carefully notched lines in white Plastocene to represent bird tracks in the snow. While Oppenheim's book describes birds of a feather, *The Secret Naked Book* (Annick Press, \$19.95 cloth, \$14.95 paperback) is a playful celebration of the all-together quality in this book by Kathy Stinson and illus-

trator Heather Collins is presented as purling good fun. Illustrations of belly boppers and bees in the bathtub are bound to strike toddlers as deliciously daring.

For many children, bath time is fun, but going to bed is just plain scary. *Frankie in the Dark* (Kids Can Press, \$10.95) deals sympathetically with their plight. Paulette Bourgeois' tale concerns a turtle who is afraid to crawl into his dark, empty shell. Instead, he drags it around like a shield on a rope. Finally, with his mother's help—and a night-light—he conquers his phobia. Warmly illustrated by Brenda Clark, the book is a charming antidote to a child's fear of darkness.

Children know that parents have their own problem with bed getting out of it. *Simon's Surprise* (Kids Can Press, \$14.95) by Ted Stinson is about the mischief that begins in the early-morning hours. Enamoured young Simon decides to surprise his parents by waking them up while they sleep. Employing every household appliance in sight, from pet scrubber to toothbrush, he goes to work—only so much soap that his mother wakes up and



Have You Seen Josephine? pursuing an idea: Is cell through the darker side of innocence life

wonders why it is snowing in July. Sylvia Day's *Christmas* are stylish and poetic.

In children's picture books, the illustrations are often more important than the text. Two books that feature particularly vivid, evocative artwork are *Have You Seen Josephine?*, written and illustrated by Stephanie Poole (Tundra, \$12.95), and *Good Carlo Menotti's Christmas* classic *Amis and the Night Visitors* (Annick Press, \$10.95), illustrated by Quebec artist Michèle Lemieux. *Josephine* is about a young boy named Daniel who pursues his dream out through outcast Montreal. But the real subject of Poole's mood, full-color illustrations is Daniel's working-class neighborhood with its ornate balconies and winding iron staircases. *Shadows* and melancholy been lost at the darker side of inner-city life. *Amis and the Night Visitors* recounts the tale of an ancestor between Amis, a crippled shepherd boy, and Three Wise Men travelling to Bethlehem. The book glows with the amber and gold of the king's robes, the lanterns carried by their servant, the sparkling trail of the guiding star and the mysterious,

glancing eyes of the royal nation.

All that glitters is a subject dear to the heart of the title character of David Rask Khadi's *Tales of a Glimmering Grandmother* (Tundra, \$14.95), a story for children ready to begin reading on their own. It recounts Khadi's memories of her own Russian immigrant grandmother. The old woman is a passionate storyteller who teaches her granddaughter the four points of black-pink—and then proceeds to win away all the girl's allowance money.

As children get older, their curiosity spills over from their immediate surroundings to distant worlds. This seems two splendid books explore the remote mysteries of Northern Canada. One is a richly illustrated edition of *The Creation of Sam McGee*, Robert Service's classic poem about a gold prospector's death

and resurrection (Kids Can Press, \$14.95). Using a cool palette of purples and blues, Whitehorse painter Ted Haverdine portrays McGee's frozen corpse engulfed in flames and following Mack under a backdrop of a surreal sunset borealis. If that image soothes young readers, they will relax when Mack's review comfortably inside a furnace. The other book to explore northern myth is James Houston's *The Falcon Bow* (McClelland and Stewart, \$14.95). Its hero is a young Inuit, Knago, armed with a powerful bow given to him by a wise old man. Knago sets out to confront his people's enemies, discovering that the magical weapon has a mind of its own. Fast-paced and suspenseful, *The Falcon Bow* creates a romantic vision of a beautiful, hostile land and its people.

Two acclaimed writers for the adolescent market are back this year with new offerings.

Award-winning young people's novelist Janet Lutz serves a luminous spell in *Shadows in Hawthorn Bay* (Lester & Orpen Denney, \$14.95). Its heroine is 15-year-old Mary Urquhart, a 19th-

century Scottish Highlander who hears the haunting cry of her cousin, Duncan, calling for her from his home in Upper Canada, 1000 miles away. Mary, who has "the gift of the two sights"—the ability to see into both past and future—journeys across the ocean to the New World to confront Duncan and her destiny. There is also a new book by Monica Hughes—a departure from her popular science fiction works. *Home's Way* (Tundra, \$9.95) is about a grandfather looking back on his troubled, Depression-era childhood in small-town Ontario and his coming of age as a soldier in Europe during the Second World War.

War comes to the home front in *Harold's Road* (Orford, \$14.95). It charts a painful episode in Canada's history: the 1941-42 internment of Japanese Canadians in British Columbia. Another Joy Kogawa retells the story of her award-winning adult novel *Obasan* from the perspective of Naomi Nakano, its young heroine. Gentle and poetic, the book is a testimony to the wisdom and grace with which so many of the prisoners endured injustice.

In sharp contrast to the bitterweet taste of 20th-century reality is one of the most lyrical, evocative children's books ever produced in Canada: David Day's *The Emperor's Poodle* (McClelland and Stewart, \$14.95). Set in the Far East in the imaginary Kingdom of Rapture, it follows King Shepherd Boy and a wise, jester poodle named Lord Pennington on a heroic adventure among dragons and griffins. King learns the important lesson of keeping opposing forces in balance, a principle graphically expressed in Eric Sedwina's exquisite black-and-white illustrations.

But some of the best books this holiday season do not lie between two covers. *The Road to Book on Tape* series (Kids' Records, \$9.95) offers several treasures from the forest in Canadian children's literature. They include R.J. Barthe's *A Year-day Fairy Tale*, *The Tenth and Nine Wives of Jason Field*, and *Amis's Kithing & Bells*, an extravagantly fuzzy poetry collection by Louis Rimeau. Noted Canadian actors Eric Peterson and Clare Cooper give spirited readings of stories involving night fears, snakes and arithmetic tests.

When children tear the wrapping paper off their presents, plush Poodle Puppets and plastic Harbors will likely be the big hits. But books that repeatedly incense and delight may prove to be the gifts to last.

—PAMELA YEAPING with GUY BARRETT, CELINA BELL, JOHN EMMETT, SHARON KOPPEL, CHRISTOPHER LANGE, A. PARRAN, BRIAN T. JOHNSON, VAL ROSS and ANNE WALKER



Frankie in the Dark: a charming antidote to fear



Amis and the Night Visitors: a star's sparkling trail

HOT NEW GIFTS FOR ADULTS

COVER

It is a comfortable, old-fashioned image—piles of brightly wrapped packages under the houghs of the tree on Christmas morning. But the traditions ends there, considering the kinds of presents being bought for adults this year. Gadgetry—often expensive and frivolous—plays a large part in many retailers' Christmas gift offerings. There are telephones that float in the bathtub (about \$350) and electric foot massagers that operate at the touch of a toe (\$25). And market analysts say that high-tech, user-empowering items are potential big sellers because of the whims—and enormous economic influence—of the baby-boom generation. Despite the responsibilities of setting up households and having children, the 30s and 30s age groups are making frolics a bit. So-called this year. Said Andrew Mitchell, a University of Toronto marketing professor who specializes in studying consumer behavior: "Most couples already have most of the labor-saving devices—dishwashers, vacuum cleaners—and, given that, the tendency is to give exotic, different types of gifts."

Novelty: Put on thing, dinosaurs are the darlings, and images of the past prehistoric animals can be found on everything from bed sheets to barbecue aprons. Indeed, clerks at the Toronto novelty shop Urban Paper report brisk sales of inflatable dinosaurs costing between \$9.99 and \$30. Addict to dinosaurs, a spokesman for Drumheller, Alta's Tyrrell Museum of Paleontology: "They're hot here and they're hot all over the world—there's even a cereal company in Japan that's offering a trip to our museum as a prize in one of its contests."

The accessories of romance—jewelry, lingerie and perfume—are also popular again this season. Although gift-buying patterns have changed with the emergence of two-income families, many career women say they look forward to being pam-

pered at Christmas. Recent Statistics Canada figures show that only 52 percent of all Canadian females fit the traditional pattern of a male breadwinner and a woman who takes care of the home. And one consequence of



Carnivals, sex joint accounts, trade and romantic presents

shared seasons in that men are less likely than in the past to lavishly expensive presents on their wives at Christmas without consulting them first. Said John Rowcroft, a professor of microeconomics at the University of New Brunswick in Fredericton: "By sharing their goods in a far cost as a present, you are ending into the common income."



Portable radio (left) and telephone, high-tech wishes

Another influence on buying patterns is a trend toward singles sharing household duties. Said Rowcroft: "You can't give a woman a household object because that suggests the task is her responsibility. People now consider a household object as a joint object. We're moving toward giving something more personal." In Vancouver, Kates Bloksma, for one, a 35-year-old insurance company executive with a four-year-old son and a one-year-old daughter, said that her husband, Ken, gave her an expensive mountain bike last year. But this Christmas, she says, she hopes to receive jewelry—in particular, a ring. And that, apparently, is a wish shared by many women. At the Quebec City outlet of the Herko jewelry store chain, manager Robert Robit said that rings and strands of pearls costing more than \$1,000 are selling well. Meanwhile, Jennifer Calkin, national lingerie buyer for Rich Brinkley & Co. Ltd.'s 15 stores, said that silk lingerie—ranging from \$50 to \$1,000—is extremely popular. Said Calkin: "Men tend to buy something very intimate and feminine and to spend more money at Christmas than women would on themselves."

Still, women appear to be striving to close the spending gap when buying presents for their men. Declared Laurent Noel, the assistant manager at a Quebec City men's clothing store: "There is no doubt in my mind that women are spending more money on men's presents. But men?" Added his boss, store manager Wayne Scott: "The bag gift is more and more likely to be a piece of clothing." Clark noted that many women customers, who in past years considered a shirt or tie to be suitable presents, are now buying \$300 sweaters and \$500 lambskin leather bomber jackets for men.

Escape: Couples are also poaching their resources to take up a recent tradition: escape for a holiday or buy a joint present. Said Natalie Tommy, marketing manager for Tommy & Leifvick Inc., which has



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four specialty tile stores in Ottawa. "A lot of couples came in and buy each other cross-country tile equipment as their big gift to each other." The stores' beginner packages—tiles, tools, poles and binders—range from \$80 to \$200. Added Torrey: "Then they may buy a couple of waxes and cloths on top of that, up to \$200 worth or more." Some customers even manage to combine holidays and exercise in one Christmas package. Said Thomas Hamilton, vice-president of marketing at Butterfield & Johnson Inc., a Toronto-based tour operator: "It happens all the time. All kinds of couples treat themselves or buy the other trips as Christmas presents." Butterfield offers 10-day bicycling, hiking, skiing and horseback-riding European holidays costing up to \$2,980. Added Hamilton: "Last year one man bought his wife a trip and had us send a wrapped bicycle pump with the brochure and his card."

Lifestyle: Many couples also shop together for a home computer system as a gift to each other—in part to ensure that their personal schedules are compatible with computers they use at work. James Gilbert, vice-president of retail operations for Vancouver-based Woodward's department store, confirmed that electronic home entertainment equipment, including video cassette recorders and compact disc players, was high on many Christmas lists this year. Said Gilbert: "We anticipate it to be the economy and people's



Robot-Adversary chess game, some nightgowns and robe (below) over-grooming

lifestyles today. With more people working, the quality of time when they are at home is more important now." And Toronto department store underclock Bradley Duggan said that 14-inch color TV sets, selling between \$450 and \$600, are among the most frequently requested items of bedroom furniture this year. Added Duggan: "If it doesn't have a sleep timer, people won't look at it."

Retail analysts say that it is natural that people who routinely use high-tech equipment during the work day would continue flipping switches and punching keyboards on their own time. Declared the University of New Brunswick's Iversen: "There is a boom in home computer stuff and games generally. Among the baby-boom age group, we have killed the fear of the machine. People used to be afraid they would break it, or it would do something awful and it would be over half. But now people are no longer intimidated."

Invasion: The Software Toolworks, a California software company, further blurs the distinction between work and play with The Chessmaster 3545, a \$49.95 computer chess program that is selling

well across the United States and Canada. Its capabilities include 72,000 chess moves, 32 levels of play and analysis of matches between human competitors—including chess grand masters. And for purchasers who want to play the game as their office treat, the program has a feature called "If the Boss Wanders By"—by pressing one key, the operator can replace the electronic chessboard displayed on the screen with a chart of a real estate development. But the game's handbook warns, "Be prepared to speak knowledgeably on the subject of real estate investment analysis."

Still, despite the electronic invasion of Christmas, another staple of the season—a live pet—remains popular as an adult gift item. At Toronto's signature pet's Pet Centre Ltd., livestock manager Suzanne Cohen said that kittens, pups and even rockfishes costing as much as \$2,000 were selling well. Indeed, one pet store is cashing in on one of last year's big gift items—the popular stuffed puppy named Winnie, which the Ottawa-based Canadian Toy Testing Council named as 1985's top of the year. The store is promoting \$2,500 Star Pet dogs, with their loose, joking skin, as "free Winnie-like puppies"—and it has sold five of the seven that it had in stock. "The store even sells \$40 jogging suits for the 60-lb dogs," said Cohen. "A lot of puppies buy presents for their friends' pets." That trend alone indicates that the tradition of gift giving as Christmas continues to thrive—and that some of the new selections are breaking outside new ground.

—ANNE IRENEY with correspondence reports

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Getting it together at the Games

It was the kickoff event to meet more than a year of pre-Olympic festivities. But when only 3,000 spectators—including 1,500 based-in-schoolchildren—turned out last month to watch two days of world-class ski jumping at Calgary's new \$60-million Canada Olympic Park, the city's Olympic Organizing Committee (OOC '88), quickly got the message.

For the second Olympic preview event, this weekend's World Cup Nordic Combined meet—featuring cross-country skiing at nearby Canmore and ski jumping off Olympic Park's spectacular 70-m and 90-m towers—ticket prices were slashed to \$5 from \$15, with children under 16 admitted free of charge. "We are going to have to organize this community over the next 18 months," said Frank King, chairman and chief executive officer-elect of the Calgary committee. "All that we have done to organize the Games isn't get the people behind us. We will change our attitude and we will be all right."

Central to the OOC's problems have been its relations with Albertans. Last fall, two thousand over-tickets to the February, 1988, Winter Games severely strained the already tenuous relationship. On Oct. 31 former OOC ticket manager Jim McGregor was charged with fraud and then for privately selling tickets to U.S. residents. And the OOC's problems have been its relations with the ticket controversy when it agreed to supply what it termed the Olympic family—sponsors, governments, national and international Olympic organizations and the media—with the majority of tickets to such popular events as the Games' opening and closing ceremonies. A public outcry ensued, and the OOC asked these groups to reduce their ticket requests.

Then, Calgary's outspoken mayor, Ralph Klein, criticized OOC's closed-shop approach to public relations, leading the committee to launch an



Ski jumper at Calgary's Olympic facility. McGregor (below) sells tickets

in-house inquiry. It concluded that the OOC was badly negligent in its communications with the public and recommended an immediate reorganization. As a result, King, a 58-year-old oilman, was given the OOC's top position, while the role of William Pratt was reduced from president to chief operating officer.

These changes, however, were only the latest in a series of turnovers at the OOC. Amid reports of discontent among the OOC's 275-member staff, president David Leighton, former president of the Banff School of Fine Arts, resigned abruptly in January. 1983. Last July general manager of services John Pukett was fired after disagreements with Pratt. And Brian Murphy, the requested head of international sports relations, resigned in September, again citing "philosophical differences" with Pratt. Murphy also charged

that constant staff changes ordered by Pratt had weakened the committee. Last week King diplomatically rejected suggestions that the new managers had sidelined Pratt. "An organization with a lot to get done needs men like Bill Pratt," declared King, whose new position gives him overall responsibility for the Games. "It is a mixing and matching of talents."

But the OOC did receive encouraging reviews of its ski jump from athletes competing in the inaugural competition. Said Czechoslovakia's Jiri Parma, after winning the 30-m event with a jump of 123.3 m: "Canada should be proud of the facility."

However, Parma also expressed the jumpers' concern over wind conditions. Calgary's unpredictable Chinook air threatened to buffet jumpers off course. The warm winds also melted snow in the landing area, forcing volunteers to pack 600 bags of trucked-in snow up the steep 74-m run.

The lack of snow delayed the scheduled opening of the controversial Mt. Allan Alpine skiing site until last week. The Alberta government has spent \$25.5 million on the Olympic resort, but critics claim that the new courses—for slalom and downhill competitions—is not steep enough and is subject to strong winds. The entire area, they contend, lacks sufficient snowfall. However, the Olympic organizers now boast a computer-operated snowmaking system that snakes through 36 km of pipe buried in two-meter-deep trenches.

But because an private developer could be found to build and operate the facility, the



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provincial government financed it and now leases the complex to a private company, 881 Kananaskis Inc. The government also guaranteed \$14 million in loans to support luxury hotels near Mt. Allan, including a 48-suite guarantee to the Mountain Inn, an \$11-million project whose president is Al Olson, Premier Don Getty's leadership campaign manager.

Even the anthropologic Olympic events have not been free of controversy. Calgary's Glenbow Museum is planning an exhibit of 1,700 native artifacts as the centerpiece of the \$26-million Olympics Arts Festival. But the 606-member Lakota Lake Indian Band of northern Alberta is complaining for an informational boycott by contributing members because the band's 45-year-old land claims have not been settled. And Lakota chief Bernard Owasagayak, who last month took his case to European legislative members. "It is hypocritical to glorify the Indians as a museum exhibit while the government opposes rights of native people." The dispute broadened last month when University of Calgary anthropologist Jean Ryan charged that Glenbow director Ewan Cameron had tried to use Canadian subsidies to encourage foreign muse-

ums to lend the artifacts, a charge agreed by Cameron.

At the same time, the CCO officials angered many local artists. They commissioned a French couple to create the Games' central sculpture, which was to adorn the Olympic Plaza in downtown Calgary. The plaza is being paved by bricks inscribed with messages from Calgarians. The cost of a 21-letter mosaic: \$19,800. But following vocal protests by the city's artistic community, the CCO informed the French artists that their services would not be required and suspended the competition.

Despite the problems, the Olympic flame is blazing brightly. The CCO already has orders and official allocations for half of the 1.7 million tickets for the Games' 108 events, including three demonstration sports—curling, freestyle skiing, and short-track speed skating. All 40,000 seats for the opening ceremonies have been sold, as have all tickets for the figure skating

and hockey finals, and 87 other events.

The CCO is pressing sponsors such as the Labatt Brewing Co. Ltd. and Coca-Cola Ltd., three levels of government and ABC TV—to kick in a second \$425 million for the Games' broadcast rights—to reduce their ticket requests. The city of Calgary has already put its order by a third, to 2,500 tickets, assuring the CCO in its attempt to make more seats available to the public.

With the Games still 34 months away, King remains optimistic. "The facilities are nailed down and the financial forces are in place," he said. "Enthusiasm is infectious. We will get the level up." To that end, he seemed determined to change

perceptions of the Olympic committee. Indeed, his first recommendation to the CCO executive, to open CCO board meetings to the public in the new year.

—MAL QUEEN with JERRY ROYCE in Calgary



King will open house

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Spy scandals in Britain

The memoirs, questioning the loyalty of the author, the late secret agent who died 38 years ago, are the latest twist in a story controversy that has raged on and on in Britain for 25 years. And last week the British government was engaged in court attempts to stop the publication of the memoirs, which were written by secret government agents and, both claiming that Sir Roger Hollis, director-general of Britain's domestic intelligence-gathering service, was a double agent, was a Soviet spy. Although the memoirs were written in the form of an autobiography, with a chapter deep within Britain's security services first mentioned in 1961. But now the efforts by the government of Prime Minister Margaret Thatcher to prohibit publication of the book have led to further controversy that is now being unravelled in court in Britain.

At the centre of the storm is Peter Wright, 74, an expatriate Briton and former member of a unit created in 1964 to locate British trainees with

in government ranks. Wingo, who worked for KGB from 1945 to 1976, is now attempting to publish his memoirs, called *Spycatcher*, in Australia. But the title begs the question: How did he become an official KGB spy? Surgeon and Donald Maclean fled to the Soviet Union in 1951. Kim Philby, an officer with Britain's Secret Intelligence Service (SIS), also defected. Then, in 1964 Sir Anthony Blunt, an art adviser to the Queen, confessed that he too had been a Soviet spy when he had worked at the agency. Blunt's confession was an embarrassment to KGB in 1979. As a result of the series of revelations, KGB, at the head of KGB, launched an investigation in 1984 to determine whether other Soviet spies or "moles" had been working in the West.



was again, now dead Miller's manuscript, *One God's War*, implies that Holke was a spy. And earlier this year the British movement took legal action

John Wright, now living in Tasmania, announced that he too intended to publish his memoirs. In both cases, governments in London urged that publication would damage national security and reveal the going-aids taken by intelligence officers. The trial in the New South Wales Supreme Court in Sydney has established at least one new fact: that Wright was behind an earlier book which contained charges against Kiddle.

West's ex-girlfriend, Chagoss Finch's 1961 book, *Their Trade in Treason*, claimed, among other things, that Hillis was a Soviet agent. After intense questioning at the time in the House of Commons, Thatcher said that a fresh investigation had failed to find evidence against Hillis. But at the trial in Sydney, testimony revealed was Finch's kin source

For his part, Wright testified that the third Baron Rothschild, the head

of the British branch of the famous banking family, introduced him to Plancher in 1980. Wright also claimed that Rothchild, a member of the

moles, may have been involved in the Bureau, Madison, Hunt and Philly activities.

Rothschild, 50, responded to the charges. He took the unusual step of publishing a letter in *Los Angeles Daily Telegraph* denouncing that "the government is not interested in my master."

The government has "unconvincing evidence that I am not, and never have been, a Soviet agent," Rothschild wrote. But the government remained silent until Friday. Then, after repeated demands from the opposition to address the issue, he announced that there was no evidence that Rothschild had ever been a spy. Still, the trial in Sydney is not over and it could still produce further clues to the identity of a long-sought "fifth man."

—DECHANCE, HALTER with PHILIP WINDLOW
in London



House of Lords and a former mps officer, arranged payments for his help. That testimony reopened old rancors about Ruthchild, who knew all too

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Stalin's war against the peasants

THE HARVEST OF SORROW:
SCAVENGE, COLLECTIVIZATION AND
THE TERRIBLE FAMINE

By Robert Conquest
The University of Alberta Press,
442 pages, \$24.95

Telling the black book of the struggle, they were among the most gifted farmers the world has known. But the property of the Soviet Union's 30 million Ukrainians was to dictator Josef Stalin a kind of honey in Harvest of Sorrow, British scholar Robert Conquest proffers exhaustive documentation to show that the price the peasants of Little Russia paid for their affront was murderously high. Detailing a four-year saga of deprivations and exorbitant subventions that took place half a century ago, Conquest charges that Stalin and his allies engineered the deaths of more than 14 million Soviet peasants—men, women and children—the majority Ukrainian. That is, he says, "about 30 human lives for, not every word, but every letter of this book."

While the exact numbers are contested, the outline of the tragedy is clear: The people of the Ukraine, the once-growing heartland of Mother Russia, were not ready converts to communism. The majority were peasants, a group which Karl Marx described as trapped in "the odyssey of rural life" and which Stalin described simply as "lones." But they were churchgoers. They liked to work land that they owned themselves. And although they had only enjoyed one brief period of autonomy in their history—from 1918 to 1922—they believed that they deserved to be a state.

Stalin's campaign against them began in 1929 with the deportation of people that Moscow deemed kulaks (Ukrainian for "fat")—wealthy peasants who loaned money, owned land and employed other workers. Even Soviet historians, Conquest notes, agreed that there was few true kulaks left by 1929. Still, close to 16 million people were deported to labor camps in the far north, often packed 40 to a cattle car with only a few leaves of bread and

peas of tea for their odyssey into exile. Conquest says that more than one million died in transit. Another two million starved, froze or were worked to death later. The lands they left were furiously turned into collective farms. Then, beginning in 1932 the Kremlin



Displaced photo from Harvest of Sorrow; many questions

tried to break remaining resistance by creating a famine, setting food and shipping it to other parts of the U.S.S.R. Many Ukrainians learned to live on starchy weeds. It was not enough, millions more died. Writer Arthur Koestler, then traveling through the area, remembers seeing mothers hold up their starving children, giant as "embayes out of alcohol bottles."

Meanwhile, Moscow organized a sophisticated disinformation campaign denying the existence of any famine. The Communist Party justified its acts with the concept of class enemies, even though most of the peasants had lost their wealth, they remained the enemy.

Said Ilya Ehrenburg, a Moscow writer of the time: "Not one of them was guilty of anything; but they belonged to a class that was guilty of everything."

Conquest's other books, including *Where Were Your Wings and Kalyan*, *The Soviet Death Camp*, have earned him a reputation as an objective critic of the U.S.S.R. Still, his compelling study of the famine drives together the strands of what Boris Pasternak, author of *Doctor Zhivago*, called an "inhuman unarrangeable mystery." It is a horror yet to be discussed openly in the Soviet Union itself.

—GLEN HELEN

There is a power-mad dictator; there are trains carrying people to exile and to death; there are the violent stories of victims mangled by starvation; and, finally, there are the emaciated corpses heaped in mass like refuse. The Canadian-made film *Harvest of Sorrow* is a powerful assembly of holocaust images that these scenes depict not the suffering of Jews in the death camps of Nazi Germany but a similar catastrophe suffered on Ukrainians in 1929-1933. No one knows exactly how many died; the film suggests seven million. And such was the power of Soviet dictator Josef Stalin that, more than 50 years after his ruthless subjugation of the Ukraine, his suppression of the facts still complicates attempts to explain the tragedy. Now, amid charges of outrageous Soviet imperialism, controversy over the authenticity of film designs and in *Harvest of Sorrow* has overshadowed the filmmakers' attempt to set the record straight.

First released in 1964, the award-winning film has never been seen on CBC, the U.S. film network and in country centres across Canada. But with its change that some of its most powerful images—photographs of emaciated famine victims, living and dead—were in fact taken during a national famine that affected the Ukraine and Russia in the 1930s. The allegations of fraud come at a time when the Ukrainian community is particularly sensitive about its public image. Later this month, Ottawa's Deschamps commission will submit its

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report on Nazi war criminals living in Canada. Todorov's goal is to convince his readers that the hatred Ukrainians nurtured for Stalin prompted some to fight against him—slay the Nazi—during the war. Observers believe that among the individuals to be named in a confidential addendum to the report are Canadian Ukrainian nationalists.

Some prominent members of the Toronto Ukrainian community say privately that the Soviet Union, which has never admitted that the famine took place, is attempting to discredit the film and all accounts of the disaster in order to divert attention from Soviet crimes. Yuri Labov, who supervised the film for Toronto's St. Vladimir Institute, told *Marion's* that he had been approached a few weeks ago in Montreal by a man calling himself Stanislaw Laszlo, a Soviet citizen and vice-chairman of the Ukrainian Society for Contact with Ukrainians Abroad, who challenged the authenticity of certain famine-related photos.

Some Ukrainians say that they are also suspicious of Douglas Tuttle, a former editor of the Winnipeg labor magazine *The Challenger* and now a freelance photographer and researcher. Tuttle recently appeared at a special Toronto Board of Education meeting called to consider whether to use the film as teaching material. There, Tuttle accused the film's producers of using what he called "misdated" photographs, including some from the 1931-1932 famine that were first published as anti-Soviet propaganda in August, 1933, in the Nazi party organ *Der Arbeiter Beobachter*. To suggestions from Ukrainian sources that he is a Soviet sympathizer, Tuttle said, "I have nothing to do with the Soviet embassy." And he pointed out that he has never been paid for his three-year research efforts on the famine.

When some Ukrainians question the veracity of the film's material. Among them Mario Gorynsk, who helped research the project. Gorynsk has filed suit in the Supreme Court of Ontario against the St. Vladimir Institute, claiming violation of his copyright on some of the photos. Stud Gorynsk "I am unhappy that the film has been compromised by inaccuracies."

Co-producer Labov retorted that "perhaps two portraits might be questionable and could be replaced." But squabbles over the dating of photographs, he declared, should not obscure the film's final verdict—a indictment of a long-suppressed, Moscow-inspired slaughter.

—DAN CLEMMING in Toronto

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PLAN 1-1974

The art market explodes



Marc's *Les Russes dans la rue* (above). Henri's *Mountain in Snow*. Art

More than 800 traders and dealers stood poised with offers at the London salerooms. Others lured by international phones, awaiting bids from foreign buyers by the time the auction had ended last week, the hot property on sale. *Le Réveur* Marc's *Les Russes dans la rue* (above), a 1920 painting by French impressionist Marc Chagall, had attracted a record-breaking \$15.4 million at Christie's auction house. That price, paid by an unidentified European bidder, ended a season of soaring art prices in Britain, the United States and Canada. The following night, before a glimmering crowd at Sotheby's, Christie's 942-year-old rival, a group of 105 impressionist and modern paintings, including works by Renoir, Braque and Matisse, brought an eye-catching \$89.3 million. And Canadian Norman, art expert for *The Times* of London. "Art auctions have become a great spectator sport. It's the thing to be seen, and to be seen paying more than anyone else."

Suddenly, the raffish world of international art resembles that of hard-headed Wall Street. Art has become very big business, with art auctions

functioning like stock markets, helping to set world prices. Collectors are like corporate raiders; they target underpriced commercial assets, gambling that their price will soon increase. In the past decade investing in art has proved twice as profitable as playing the stock market, according to Nicholas Faith, author of *Sold*. The rise and fall of Sotheby's last year more than \$1.4 billion worth of paintings and sculpture changed hands in New York alone.



Last month *Mountain in Snow*, a late 1930s work by Canadian Group of seven painter Lawrence Halpert, sold for \$425,000 at a Sotheby's auction in Toronto. Even small landscape paintings by such lesser-known artists as Marc-Aurèle Bouché-Côté now command \$145,000—as much as a typical house price in a major Canadian city.

And more collectors are entering the market, drawn from the ranks of large banks, corporations and affluent couples seeking to acquire status objects. "Every collector will tell you that he buys art because he likes it," said Leslie Saper, an Indianapolis economist and art historian. "That's baloney. Art is no longer bought as a consumer item."

The price boom began with 19th- and 20th-century masterpieces—treasures whose supply is fixed. But lately it has spilled over to contemporary works. As New York's art buyers hunt feverishly for new properties to trade, the sector's best young painters, such as Julian Schnabel, Keith Haring and Francesco Clemente, are receiving the demand by mounting as many as six shows a year. Said collector Dr. Donald Rabell, a New York gynecologist who owns more than 600 pieces by new artists: "The way some prices are going up, it's as though they had yesterday." The market for living Canadian artists is also hot. Two years ago West Coast painter Tom Oley held an exhibition and sold just one painting. Last October he grossed \$250,000 for 60 works.

Some art dealers complain that as artists rush to cash in on the market, the quality of their work is dropping. And they warn that a pallid by a single industrial collector could trigger a stampede of selling. Indeed, when Charles Saatchi, the powerful British advertising magnate, decided last year to sell off about 20 canvases by Sandro Chia, the New York art's price plummeted.

Other observers say that they are convinced a major crash is inevitable. Read Time magazine art critic Robert Hughes. "Nobody with intelligence believes this boom can go on forever. When the shake-out really comes, it's going to be very traumatic." And the test of a work's enduring value will become not whether it has proved a safe investment but whether it gives viewers pleasure from its place on the wall.

—LARRY BRACE is New York with PHILIP GUNAWAN in London and NICHOLAS JACOBSON in Toronto.

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A new theory on herpes

The appearance of periodic lip sores—caused by a herpes virus known as simplex 1—is a common sign of a recurrent, infectious disease. And last month a four-member medical team from Cornell University Medical College in New York City reported that simplex 1 could be responsible for medical problems that are far more serious than the pain and social discomfort of cold sores. Indeed, Cornell researcher David Hajjar said that initial studies suggest that the simplex 1 herpes virus could cause atherosclerosis, or hardening of the arteries, a condition which can lead to strokes or heart attacks.

Drawing on eight years of research, Hajjar told a meeting of cardiac specialists at the annual meeting of the American Heart Association in Dallas last month that herpes-infected cells may in fact become clogged and unable to rid themselves of cholesterol buildup. Hajjar, an associate professor of biochemistry and pathology at Cornell, said that team members arrived at their theory after they

had injected hundreds of disease-free chickens with the herpes virus—and discovered that cholesterol had built up in the birds' arteries. In another experiment, the researchers infected so-called smooth muscle cells with the herpes virus. These cells, which line

A herpes vaccine will not eliminate atherosclerosis, as cholesterol may accumulate even though the virus is not present

blood vessel walls, accumulate fat during atherosclerosis. The results from that two-year experiment clearly resembled the findings in the animal tissue tests: the virally infected human cells grown in test tubes accumulated cholesterol. Declared Hajjar: "Our hypothesis is that early on the virus transforms or alters cells within the blood vessel. Then, during our

years of development, the blood vessel can't handle all the cholesterol that comes in."

Hajjar emphasized that the Cornell researchers had not proved that the herpes virus caused heart attacks and strokes—forms of heart disease which kill 84,000 Canadian and 700,000 U.S. citizens each year. For one thing, researchers have not yet devised a method of testing the effects of the virus on live human subjects. Experiments with laboratory-grown smooth muscle cells remain the major source of information about the role of simplex 1 in fat metabolism. Declared Hajjar: "That may not necessarily represent what happens in real life."

As a result, treating herpes viruses in atherosclerotic lesions within blood vessels has not produced any new methods of treating or preventing the disease. In addition, Hajjar said that development of an effective herpes vaccine would not eliminate atherosclerotic cholesterol may accumulate in the body even though the herpes virus is not present. Instead, the Cornell team's preliminary findings are simply encouraging advocates in the ongoing battle against heart disease—and a mysterious viral enemy.

—PHIL MCKAY in Toronto

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Cracks in the alliance

MONTY: THE FIELD-MARSHAL

1940-1978

By Nigel Hamilton

(Penguin Books, 198 pages, £29.95)

RISENHOWER: AT WAR 1940-1945

By David Eisenhower

(Random House, 377 pages, £11.95)

Field Marshal Bernard Montgomery, victor of the 1942 Battle of Alamein and one of Britain's greatest fighting generals, believed that the essential quality for an army commander in battle was "grip." With it, a general knew his goal and how best to achieve it. And the men he

commanded would trust him and do their best. Without grip, he earned despair, demoralisation—and defeat. In Monty's eyes, grip was something US Gen Dwight D. Eisenhower, head forces commander in the final struggle to end Nazi domination of Western Europe, conspicuously lacked. Monty's opinion of Ike, and their differing tactical approaches, brought the pair into frequent conflict. Ever since, generals and historians have been re-fighting their battles—trying to prove who was right. The latest to do so are British biographer Nigel Hamilton, British author of *Monty: The Field-Marshal 1914-1978*, and Ike's grandson, David Eisenhower, author of *Eisenhower At War 1943-1945*.

In the last of his epic three-volume work on Montgomery, Hamilton takes the field marshal from the aftermath of his triumph in Normandy, in 1944, to his death at 88, sick and almost alone, at his home in Hingham in southern England. In the first of his projected three-volume biography, Eisenhower covers the period from his grandfather's 1943 appointment as commander of Allied forces to the end of the European war. Both books relate how their subjects became embroiled in feuds that nearly compromised the conduct of the war.

After the Allies had established their presence in Europe and won the battle of Normandy, the senior British and American leaders, Monty, wanted to push Germany's Ruhr and Berlin in one single thrust. Ike, cautious and diplomatic, favoured attacks on a broad front. Matters came to a head with Operation Market Garden, originally conceived by Monty, in which the Allies tried to establish a bridgehead over the Rhine at Arnhem—only to endure 10,000 casualties.

For Eisenhower, Operation Market Garden underscored the futility of a single-front strategy. But Hamilton makes a convincing case that Monty should not bear full responsibility. The operation was mounted on a smaller scale than the overwhelming 60-division onslaught that the British general had envisioned. And Hamilton convincingly documents how the miscalculated several times. Eisenhower seemed to yield when the persistent Monty urged him to concentrate the Allied effort on one offensive—only to change his tune when his suspicious US commanders, Omar Bradley and George Patton, argued that Montgomery merely wanted to grab the limelight. Because of Ike's procrastination, Market Garden came too late, when the Germans were already recovering from their rout in France.

According to Hamilton, the field



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German counterattacks in the Ardennes two months later graphically illustrated Monty's strategic position. He had argued that the broad-front strategy overextended Allied resources. Then, in December, 1944, German Panzers under Field Marshal Gerd von Rundstedt broke through the thinly held American front and threatened to sweep up to the North Sea coast. Finally, the gave Monty command of Bradley's First Army, and Monty regained the initiative.

David Eisenhower tells a different



Montgomery, Eisenhower: strategic disagreements and salt in the wounds.

version of these events. He suggests that the allowed Market Garden to go ahead to prove Monty wrong. He places much of the blame for the Ardennes setback on Bradley, and glosses over the fact that his grandfather was operating by remote control in Allied headquarters at Versailles' Touraine Palace Hotel, 350 km from the front—because of rumors of Nazi hit squads.

After turning the tide in the Ardennes, says Hamilton, Monty typically rubbed salt in Bradley's wounds by, proving himself on his achievement. That was a mistake the world never have made. He was restrained and conciliatory, and enjoyed his extra comforts—bridge games and the companionship of his dress/society. Kay Barmes, (Eisenhower is equated about whether they were lovers.) By contrast, Monty was snooty, drawn and—after the death of his adored wife, Betty, in 1937—deprived

of domestic happiness. He even turned away from his mother and his son, David, making the company of his young staff and, increasingly, the postwar generation on whom he believed the future of the world depended. An extreme example on vacation in Sutherland in 1945 he met 12-year-old Lester Trach, and corresponded with him for several years. "Dear Lester, my darling boy," one letter begins. Trach affirms that nothing happened ever happened.

But Hamilton ends his trilogy by showing how Monty yearned to the end

for "someone with whom he could share feelings of love." Meanwhile, Eisenhower sets the stage for his next volume by arguing that the entered peacetime politics because he felt responsible for the repercussions of his military decisions.

Each biographer errs in different ways. David Eisenhower's concern with the statesman, a status his grandfather had not then achieved, leads him into frequent digressions about the people's political leaders that interrupt his narrative. Indeed, his book is more of an apology than a critique. Hamilton is more successful, painting a convincing picture of his wayward battlefield genius. Still, Hamilton often loses control of his material due to repetitive detail. It is ironic that Monty, the master of brevity, should be so served by a biographer.

—DAVID NORTH

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BROADCASTING

Passing the CBC buck

It was a blustery December day on Parliament Hill—outdoors and in. In the House of Commons last week the standing committee on communications and culture was sorting out the tangled web of the CBC's accounting problems—including a computer that lost track of \$57 million in expenditures during the 1985-1986 fiscal year (Environ's Nov. 21). But after a flurry of angry charges and countercharges by former and current CBC executives it was still not clear who, if anyone, was telling the truth.

Such was President Pierre Janssen and Auditor General Kenneth Dye have publicly blamed the confusion on Ronald Pearson, a former CBC vice-president of finance. But Pearson, who resigned from the corporation in January, last week provided his account of the controversy. His main contention: that the centralized computer accounting system that he was hired to create was doomed from the start by lack of support from management. As such, he claimed that the system was rushed into operation in July, 1985, a year ahead of schedule, by CBC executives hoping to forestall scrutiny by the new Conservative government.

Citing a series of memos, Pearson noted that he had told his former boss, senior vice-president Franklin Delaney, that the system would fail unless he received more co-operation. But Delaney, now vice-president of CBC French television, declared that Pearson alone was responsible for the accounting problems. And Janssen denied that the system was implemented ahead of schedule. The only change, he said, was Delaney's decision—based on Pearson's recommendation—not to operate the new system in tandem with the old for a year.

Despite aggressive questioning by committee members, none of the three was prepared to accept ultimate responsibility for the system. But as committee members prepared to write a report on the issue, they expressed their frustration clearly. Liberal culture critic Sheila Frattone complained of "gobbledygook from both sides." And, voicing the panel's general confusion, Conservative MP John Gembery later declared, "I'm not sure what I saw believe."

—CHRISTOPHER HARRIS in Ottawa



Sabar welcomes Father Christmas to Celesteville: an unapproachable king, an awkward

TELEVISION

Noel for the elephants

SABAR AND FATHER CHRISTMAS (CBC, Monday, Dec. 22, 7:30 p.m.)

For three generations children throughout the world have delighted in a storybook elephant—Sabar, the sometimes forgetful, almost unapproachable King of Celesteville, a mythical African city. One of his most popular adventures has been *Sabar and Father Christmas*, created by French author Jean de Brunhoff just before his death in 1940. Two Ottawa production companies, Atkinson Film Arts Ltd. and son Ottawa Productions Ltd., have turned Sabar and Father Christmas into a half-hour animated cartoon. They have produced a charming special that is faithful to the book down to the last wrinkle of Sabar's elephantine brow.

The genius of the book lies in its sparseness of plot and its richness of illustration—a combination that leaves children amused but never confused. That narrative simplicity works well on television. A rhinoceros named Rotasso—the only real villain in sunny Celesteville—is determined to reach Father Christmas before Sabar can, in order to steal the toys intended for Sabar's young subjects. Naturally, Sabar wins, but not before Rotasso has had plenty of opportunity to indulge his delapidated malicious laugh. In comparison, the anachronistic woe of Sabar and his wife, Queen Celeste, are disap-

pointing. But overall, the magic prevails. *Sabar and Father Christmas* successfully evokes de Brunhoff's vision of a world where goodness offers an enduring shield against misfortune.

—JOHN REMBORE

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- 6 *The Queen's Secret, Tompkins* (7)
- 7 *East Shore Island, Cherry* (7)
- 8 *The Golden Age, Pines* (6)
- 9 *A Matter of Honor, Archer* (4)
- 10 *Bollywood Husbands, Cohen*

NONFICTION

- 1 *Wings, Stryker* (1)
- 2 *His Way: The Unpublished Biography of Frank Strasser, Kilday* (2)
- 3 *The Renaissance, Deery* (3)
- 4 *Memories, Gervase* (1)
- 5 *Fatherhood, Conly* (2)
- 6 *Controlling Interest: Who Owns Canada?, Friesen* (4)
- 7 *The Master Builders, Foster* (7)
- 8 *Copied Offences, Dr. Folk, Morris*
- 9 *Urtle Sage, Robertson* (2)
- 10 *Lines in Water, Goyens and Thorne* (2)
- 11 *Out of Character, Forrester with McDonald*
- 12 *Protein for work*

—Compiled by Frances Mulhally

Chameleon in the premier's chair

By Allan Fotheringham

The application of democracy sometimes gives us trouble.
—Bill Vander Zalm

There are several ways a man can be evil, and it is the last that is the most effective: one who writes about himself, the resulting inflection must often be a case of self-insulation. A case of ego overload. Just as a lawyer who acts for himself has a fool for a client, only the most stupid should be allowed to write about themselves. David Niles is one who succeeded. Donald Fleming is one who failed.

The second method of attack is the knife job. Kitty Kelley's meticulous detailed destruction of Frank Sinatra is our most recent example, there being more than enough details to hand. The third method, requiring great control by the chap at the typewriter, is simply to get down the record, dull detail by dull detail.

This is the (successful) method used by Vancouver literary critic Allan Twigg in the first anti-star book produced on Bill Vander Zalm, who is introduced on the book jacket by a quote from an astute critic calling him "the most unusual premier Canada has produced since René Lévesque."

The book, *Vander Zalm: From Immigrant to Premier*, would never be mistaken for Tolstoy, but it gets the job done. It just records what the boy has done and makes it abundantly plain for mischief that Twigg, who has written three previous books in the literary field, admits that he is a myope in the political arena and is simply relying on the dull old fact of research and deluging the reader with the rise of The Silan from boyhood in the Netherlands to being an Lethbridge. The author almost never deviates from his stiff upper-lip approach—referring to his subject as the "Honourable Montaban of B.C. police" being a rare exception—and instead writes into the record what he likes.

It is not a pleasant sight, now for Allan Fotheringham is a columnist for Vancouver News.

those writing a master's thesis on the arcane art of telepathy. As the author remarks, Vander Zalm arrived in the premier's chair, after 20 years of being the most controversial politician in British Columbia, as a largely unknown nobody. He is the exception. He's hard to get down mainly because he dares and shifts philosophically like a water bug. A municipal politician who knows him well from Vander Zalm's early days as a mayor of a Vancouver suburb says: "I'd say his prejudices are minor—at least that day. He's a political animal. He's not in it

for the sake of the fact that he "likes to be surrounded by beautiful girls," preferred he would own a large modelling agency (in a way, does he not now?).

There has been a consistent pattern in Vander Zalm's rise. As Twigg notes, "Zalm has been best and least broken." Even while he was a minister in the Social Credit government, he built an addition onto one of his garaging stores without a building permit. Warned by authorities that he was violating a municipal bylaw, he refused to comply. He received the maximum penalty. When his two brothers violated agricultural land-zoning laws, Vander Zalm—then the municipal affairs minister—intervened on their behalf.

Three Vander Zalm brothers had to plead guilty after being charged with illegally dumping pollutants. When Bill was mayor of the Vancouver suburb of Surrey, his own council once voted to investigate him on conflict-of-interest charges. President of a widely active consortium of relatives, Vander Zalm somehow escaped like Herodotus from various family marital messes—identified

by the author as the Manning-Kings Mess, the Manning-Newman (Mrs. E. Bever) Link and the Hamblaine-Smead. Two days before the then-cour government was to bring in a deadline on public disclosure legislation designed to protect the public from political conflicts of interest, Vander Zalm gave the Liberals and joined Social Credit.

"His cavalier attitude toward the law is accompanied by another characteristic: stubbornness—which is both a strength and a weakness common to the Dutch. Earlier in his career (training for Parliament in 1968 in hopes of riding on Trudeau's train, running for leadership of the B.C. Liberal party among other things) he lost three times in seven years. Later he was to lose yet again when he tried for mayor of Vancouver. He simply comes back smiling. He's a hard man to irritate. He essentially doesn't have any beliefs. As such, he's unreactive. You can't insult a man who doesn't believe in anything."



to improve humanity. He weakened from the Liberals to the Socials with one hesitation when it suited him. If socialists became popular, he'd be a socialist tomorrow.

The most remarkable premier was born in the Netherlands from a background of well-to-do dairy farmers on his mother's side and a prosperous bulb business on his father's side. His father was travelling abroad when war broke out, chose not to return to the Netherlands and funded the lucrative base for the nursery business that gave Bill a handy running start when the family joined father in B.C. after the war. He did not drop out of Grade 7, as once mistakenly stated on this page. It was with Lilburn who did. Lilburn, who took three years to finish reaching the last book he would read and couldn't remember either author or title. Bill is remembered by high school mates as a "sweet talker" who was always "putting on the dog." His school record, noting his stylish



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